

SESSION II.
1923.
NEW ZEALAND.

AGRICULTURAL AND PASTORAL INDUSTRIES AND
STOCK COMMITTEE.

DAIRY-PRODUCE EXPORT CONTROL BILL

(REPORT ON THE) TOGETHER WITH MINUTES OF EVIDENCE.

(SIR G. HUNTER, CHAIRMAN.)

Report brought up on 22nd August, 1923, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 4TH DAY OF JULY, 1923.

Ordered, "That a Select Committee be appointed, consisting of ten members, to consider all matters pertaining to agricultural and pastoral industries and stock; 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. Hawken, Sir G. Hunter, Mr. Langstone, Mr. Lysnar, Mr. Masters, the Hon. Mr. Ngata, and the mover."—(Hon. Mr. NOSWORTHY.)

THURSDAY, THE 5TH DAY OF JULY, 1923.

Ordered, "That the Dairy-produce Export Control Bill be referred to the Agricultural and Pastoral Industries and Stock Committee."—(Hon. Mr. NOSWORTHY.)

R E P O R T.

I HAVE the honour to report that the Committee having carefully considered the above Bill and having taken evidence thereon, recommends that it be allowed to proceed with the amendments shown on the copy of the Bill annexed hereto; and further recommends that the evidence attached be printed.

22nd August, 1923.

GEORGE HUNTER, Chairman.

MINUTES OF EVIDENCE.

THURSDAY, 19TH JULY, 1923.

EBENEZER MAXWELL examined. (No. 1.)

1. *The Chairman.*] Whom do you represent, Mr. Maxwell?—I have here letters from various factories authorizing me to represent them before this Committee: they are the Brooklands Co-operative Dairy Factory, Kahui Factory, Newell Road Factory.

2. *Mr. Langstone.*] Are you a dairy-farmer?—I am a dairy-farmer and a factory secretary. Also, I have a letter from the secretary of the Bell Block Factory, another from the Waitoitoi Factory, others from Okau, Flankley Road, and Oxford. I am also requested by the Kia Ora (Gisborne) Factory to state their opposition to the Bill, but that they are unable to be represented here separately. From Taranaki I am able to tell you that out of two hundred suppliers to the Maoriland Dairy Factory only thirty are in favour of the Bill. The Ashhurst Factory, too, notifies its objection. Mr. Ranford, of the Stratford Factory, regrets that he cannot be here, because his annual meeting is taking place: he advises that he is opposed to the Bill, at least so far as marketing is concerned. Mr. Chairman, in order not to take up more time than is necessary I have prepared the following statement:—

Dairy-produce Control Bill.—Interference with rights: We oppose the Dairy-produce Control Bill on the principle (1) that it is an arbitrary interference with our rights and liberties, and (2) that the primary producers have just the same rights as any manufacturer or trader to market his goods as he chooses. We oppose it because it is unjust and unwarranted, and because the life of the dairy-farmer is far the most arduous of any, and such arbitrary interference will greatly tend to the abandonment of dairy-farming by all those who can possibly do so and prevent its adoption by others, and the industry and the Dominion will seriously suffer. Further, we oppose the measure because the revolutionary and communistic powers sought would in themselves and by precedent constitute a grave menace to the welfare of the community, and also because the placing of such great, arbitrary, unlimited, and unfettered powers in the hands of a few men is improper and undesirable from every point of view. The Board would represent a gigantic monopoly, and as such would be beyond the beneficial effects of wholesome competition, and their actions and judgment, however bad, could not, in lack of means of comparison, be assessed. Dealing with an industry now representing an annual revenue of £16,000,000 would in many ways, such as that of selecting firms—possibly only a few firms from a great many—to market the produce, fixing prices, &c., offer immense temptation to both sides to safe and profitable manipulation. There is, we are satisfied, no instance beyond New Zealand, within the whole British Empire, where the sole unfettered control of an annual revenue of £16,000,000, or anything like that sum, is placed in the hands of eleven men who are not owners, or whose interest in the revenue would in no case be more than infinitesimal, but to whom the importance, emoluments, and opportunities of office would be very great.

The measure has not been asked for by the producers as a whole, but was advocated by a clique in which a great number of the producers have not the least faith. Its promotion has been carried on by a Council (within whose numbers are many of the clique) who we contend does not represent the producers. It was established at a rush meeting of but a few authorized representatives, and contains, although the factory has been treated as a voting unit, several members—for instance, Mr. Morton and Mr. Connett—whose factories are absolutely opposed to the Bill. There are other men who in fact are now without authority to act on the Council, as their factory-suppliers have not been called together to consider the matter this year. This is important, because many factories once supporters of the Bill have on further knowledge ceased to be so. The position of those members, especially those who nominally represent factories who are absolutely opposed to the Bill, is improper, and we contend this should weigh heavily with the honourable Committee against the passage of the Bill.

Who should vote: We contend that in a matter of this sort, which deals with the individual rights of each producer, the dairy factory should not be assumed to have, and has not, the right to act as a voting unit. Many votes have been cast in the name of factories that do not represent the majority votes of the producers. The directors of factories are elected to manage factory affairs, and not to judge for and vote for producers on questions of principle and vital concern to their own interests and that of the State. Further, we contend that a measure of this kind once passed will of a certainty in practice, under the powers conferred, become permanent and beyond repeal; and, that being so, and as the measure would deprive individual subjects of great numbers, but of one class and one class only, of a fundamental right as subjects under the British Constitution—viz., the protection of their property—the producers of to-day, much less the factory, have absolutely no right to vote away the birthright of the producers of to-morrow or of those who come after. This being our conviction, we intend, if necessary, to carry our protest and resistance to the extreme limit and highest source available to subjects within the Empire. We consider the measure involves the destruction of principles which are fundamental and vital to the maintenance of the freedom and protection we enjoy as British subjects, and that our interests as producers are minor to our interests as members of the State and to those of the State as a whole.

Now I wish to deal with the question as to how support has been obtained for the Bill; and in doing so I do not wish to impute to any of the promoters any intentional wrongdoing, but I must, in the interests of the opposition to the Bill, emphasize the points where the promoters have misled us. I think the present position is chiefly due to the manner in which the matter has been rushed—to the

fact that the promoters have not understood what they have undertaken, that it is far too great for them, and that they have blundered. Therefore I ask you, gentlemen, to remember that I am not desirous of imputing wrongdoing to any one.

How support was obtained: Last year support to the measure was obtained by means of a campaign on the supposed evils of the present system of marketing, and largely supported by wild vilification of the British merchants. The tactics have been so discredited they have been dropped—except that we have a painful reiteration of the vague term “speculative manipulator,” and the stalking-horse latterly has been control of shipping and regulation of supplies—this will be dealt with later—but here we wish to state emphatically that very much support for the measure has been obtained by misrepresentation and by plausible generalities which have failed to stand the test of investigation.

These are plain definite statements which, if proved, should most certainly result in rejection of the measure. Clear instances in support of our statement will be given under a different heading, but here is one: In the *Dominion* of the 12th instant appears an interview with Mr. Grounds, chairman of the Producers' Council. It is headed thus: “The Dairy Pool.—A Growing Demand for Legislation.—How the Factories are Voting.” This is the article attached. The whole statement clearly and implicitly infers that since last year support of the Bill has grown throughout the Dominion and that it is now growing, and that the factories in Taranaki will abandon their initial opposition to the Bill. The statement also infers that the full position is displayed and that all the votes cast are given. I am glad to see that Mr. Grounds is present, because I would not like to deal with this point in his absence. Under each division this statement is incorrect and misleading: (1) Comparison with last year's figures will show that support has not increased; (2) the full position is not displayed; (3) all the votes are not given; and (4) opposition is not decreasing in Taranaki, but, on the contrary, is greatly increasing. Mr. Grounds deliberately misleads by giving the votes only where in his favour and not where against him. He takes credit for North Auckland and Hamilton votes as cast at those places, and does not merge them in the Palmerston vote, although North Auckland, Waikato, Bay of Plenty, all Wellington, Hawke's Bay, and Taranaki voted at Palmerston, but though a vote for Taranaki was taken in Taranaki, as in Hamilton, Taranaki's vote has been merged in the Palmerston vote. Why? Because the Taranaki vote was overwhelmingly against him.

Gentlemen, I would draw your special attention to the statement made by Mr. Grounds that “at all places I have been able to visit and at which I have explained the proposed legislation we have been supported even by those who were formerly opposed to the Bill.” That is a very serious statement.

But this is not the worst. At a representative meeting at Stratford on the 24th May it was decided that a vote should be taken by voting-paper, to close on the 24th June. Another meeting was called by the Council at Stratford on the 16th June, and Mr. Grounds did his best to influence the vote, but met with an overwhelmingly adverse vote on the voices. Nothing has been said about that; but, further, the result of the Taranaki vote by voting-papers sent in to the secretary of the Council has been deliberately suppressed, notwithstanding application for the result and the names of the factories, now over three weeks overdue. That vote is judged to be under twenty for and over forty against. A number of gentlemen in this room will prove the complete accuracy of this statement.

Again, as Mr. Grounds's statement in the *Dominion* is clearly made to influence Parliament and the public by conveying the impression that the more there is known of the scheme the more it is favoured by the producer, it is important that the true position should be set forth. Although I have not the exact figures for last year, because the Department failed to comply with my request—no doubt by inadvertence—for names of factories opposed, though they supplied those in favour, it was generally claimed that the position was over three in favour to one against, and that was the supposed warrant for going on with the measure. Even then Parliament decided that the measure should be postponed until more opportunity was given to the consumers, and I will show you that as a result of that postponement the objectors have increased. It was then three to one in favour of the proposal. To-day it is about two in favour to one against, and the opposition continues to increase. The actual position as far as can be ascertained is as follows:—

	For.	Against.	Total.
North Auckland	15	3	18
Hamilton	17	7	24
Palmerston	102	52	154
Less North Auckland, Hamilton, and Taranaki	60	13	73
Taranaki	19	40	59
South Island	89 (?)	38 (?)	127
	200	103	303

The adjustment of the Palmerston vote may vary by one or two votes, the same applies to Taranaki, but in either the alteration cannot be material.

3. *Mr. Langstone.*] Is that factories, or individuals?—I understand it is factories, not individuals. Mr. Grounds has given the figures for Palmerston as 102 to 51. Anyhow, you will see the difference is not very great; but taking out Taranaki it left the actual voting in Palmerston as 64 to 13, since when there have been others added to “against,” but I have not had time to check that. That is no way to get at the thing: if the factory is to be taken as the voting unit it should be “one factory one vote” throughout the whole of the Dominion. But the South Island figures—Mr. Grounds's—are peculiar. He states that there are 124 factories in the southern association district and that 89 only were represented at the conference: 41 more votes were cast than factories represented and 3 more than the total factories. However, the votes show less than two in favour to one against for the whole Dominion, and still less majority taking the North Island alone.

Now, as to Mr. Grounds's statement as to growing support, and that factories in Taranaki will abandon their initial opposition, the facts are absolutely against him. Taranaki and other factories that were in complete support of the Bill are now opposed to it—for instance, Mangorei, Midhirst, Normanby, Oxford, Joll's, Maketawa, East Tamaki, Rangiotu, and Rata. I am a little doubtful about Rangiotu Factory. I wrote to the Minister and he was good enough to forward me a list of the factories in favour of the Bill. There is a good difference now: amongst those that were then given as being in favour of the Bill but which are now opposing the Bill are: Midhirst, Rata, Normanby, East Tamaki, Maketawa, Mangorei. I am satisfied that with one exception my figures are correct. The Department's list of factories favouring the Bill last year, compared with votes taken at Palmerston and elsewhere, display this: Instead of support growing in Taranaki and elsewhere, as stated by the chairman of the Council, opposition is steadily growing. All except the last three of these are Taranaki factories. Further, it is known that some factories previously in favour are wavering and have not declared themselves. In face of the above it is clear that the measure is losing ground; and in view of the Right Hon. the Prime Minister's repeated indication that only if the measure was desired by practically the whole industry would it be gone on with, we cannot believe that it will be gone on with.

Mr. Grounds states that the initial opposition to the Bill in Taranaki would be abandoned. There is the true state of affairs. Dealing with his statement, "At all places I have been able to visit and at which I have explained the proposed legislation we have been supported even by those who were formerly opposed to the Bill": We had a meeting in Taranaki on the 24th June at which it was decided to give a vote by ballot-paper. By some means Mr. Brash became the returning officer, and the votes were posted to him, and they were to close on the 24th June. So as to try to influence the vote before the Palmerston meeting the Council called a meeting at Stratford on the 16th June. Mr. Grounds attended that meeting and spoke for two hours, and spent a long time in answering questions. The result of that meeting—and there are at least twelve gentlemen present who were there—was to show that the feeling was overwhelmingly against Mr. Grounds, and showed itself so overwhelmingly on the voices that the whole of the opponents of the Bill went outside and shook hands with one another. We could hardly get away, for our success in opposing this obnoxious measure had been so great. Well, as I have told you, it was decided to take a vote by ballot. Mr. Brash was the returning officer, and the votes were sent in. The poll ought to have been declared immediately after the 24th June. I say that Mr. Grounds has failed to disclose the full position. That poll ought to have been declared. I know they have offered an excuse, but that excuse is not valid. I say I would have been able to settle the position in ten minutes; and if any outsider can settle the matter in ten minutes, then Mr. Brash could surely settle the matter in three weeks. As secretary of our factory I wrote as follows to Mr. Brash:—

DEAR SIR,—

The Kahui Company sent in its vote against the Bill in accordance with the resolution passed at Stratford over a fortnight ago. It was requested that a list of the names voting for and those voting against the Bill be published in the 'New Plymouth papers. No such list has been seen, though the closing date, 24th, is a week past. It has been suggested that the names of the Taranaki factories which appeared after the Palmerston meeting was supposed to cover this, but, of course, that could not be so, as the vote had not closed nor was that list closed, as the names of some factories who had posted their votes did not appear. I am instructed to request that the list be published as requested, without delay. In this request many factories are concurring. I am also instructed to ask that a copy of the list be supplied to me at the earliest possible date, as it is required.

T. C. Brash, Esq., Secretary, Dairy Association, Wellington.

Yours truly,

E. MAXWELL, Secretary.

Mr. Brash's acknowledgment to that letter is as follows:—

DEAR SIR,—

We have your letter of the 1st instant, and so far the Council have not considered your request that a list of factories voting in Taranaki should be published. Mr. Grounds will be in Wellington in the near future, and we will place your letter before him.

E. Maxwell, Esq., Occidental Hotel, Lambton Quay, Wellington.

N.Z. Dairy Association, 5th July, 1923.

Yours faithfully,

T. C. BRASH, Secretary.

So far we have not secured the list. I say that the thing was as simple as A B C. We had our list of votes. We had the votes taken at Taranaki, and we had the votes taken at Palmerston. We ticked over the two lists, and where a double tick occurred—where the vote was cast at Palmerston and also at Stratford—it was obvious that it was one vote. The result of that check—as far as I can ascertain from the papers posted and from my knowledge of the voting—is that the position is approximately as I have stated it, nineteen for the Bill and forty against. I will say at once that I may be wrong by two, but no more. Now, that is a very serious position. We have a plain, bald statement that wherever Mr. Grounds went he gained support. Well, it is not true. Mr. Grounds must have been overworked. Then we have the statement that Taranaki is speedily going in favour of the Bill. Taranaki is not going in favour of the Bill: Taranaki is going against it. In addition to those that I have given you, there are some most important factories whose suppliers have not been called together, and those suppliers would vote against the Bill. I suggest that Eltham Factory is one of those. Their directors are not to-day in favour of the Bill. That will soon come out.

My next section is: Legislation is not required. It is said that we ought to follow the Meat Control Board; but whereas the meat business was almost "down and out" when that Board was set up, the dairying industry is the most wealth-producing and far and away the most wonderfully progressive of all our industries. It has been advanced by leaps and bounds from a mere nothing in the early "nineties" to the position now of not only the premier industry of the Dominion but to that of being the premier dairying country of the Empire. Its progress has been steady, rapid, and sound, and it has proved the mainstay of the Dominion's finance.

We contend that in face of these indisputable facts there is no warrant for arbitrary interference; but, further, that it would be madness to tamper with it, especially by placing the commercial side of it, by compulsory control under a crude scheme, in the hands of untried amateurs. And we are satisfied that Parliament dare not take such a grave responsibility. That there are faults is not questioned, but there is no reason to suppose that those faults are not amenable to remedy by ordinary businesslike methods, and such should first be tried. Further, we assert that no real genuine endeavour has been made in this direction by those whose duty it is supposed to be, and who have been appointed for the purpose. They have mostly adopted the attitude of treating those connected with the commercial side of the industry as enemies of the producer instead of essential links, and the present scheme was initiated by a campaign of vilification and as a means of displacing the merchants. The previous schemes, such as the C.W.S., had the same object, and the same course was followed. No proper attempt has been made on our behalf to obtain from the shipping companies special treatment of our dairy-produce. That such is the case will be shown.

Objects of the promoters: Whilst the marketing question is now kept in the background as a result of discredit due to wild statements, and the regulation of supplies and shipping is used as the promoters' main plank, the fact remains that, as the chairman of the Council stated at Stratford, "our ultimate object is to control the marketing." The whole business of the poolites' scheme is absolute control. The produce is to become the property (in trust) of the Control Board to ship and sell, and the local agents are to cease to exist. To establish a credit—putting it crudely—which would be effective, as now, to provide funds for payment of monthly cheques before the produce has left the factory perhaps, and certainly before it is far on its journey Home, the firm putting up the credit must have absolute right over the produce, either as purchaser or consignee, and also it would be necessary to have a local representative. How, under the control scheme, can any factory's produce, or any precise lot of produce, be purchased or held on consignment by any British merchant, none of whom are to have representatives in the Dominion? (I am not now suggesting how the Board should go on with this scheme, but I am saying that the Bill has been promoted under a mass of misrepresentation and imagination. There is no reasonable man to carry out the ideas of the various members of the Council. They have contradicted each other time after time. They would undertake what they are unable to deal with.) How can the merchant buy or handle on consignment from the Control Board until the produce is made available at Home by the Control Board for purchase? The Control Board, with the object of regulating supply on the British market, and of fixing the price, prevents the possibility of any definite connection, which is essential for financing with the firms until the produce is released for sale. Mr. Grounds, Chairman of the Council, stated at the meeting in New Plymouth on the 7th October, 1922: "Prices must be arranged with the selling agent in London." Mr. Morton states, control takes the selling of the produce out of the dairy companies' hands. Mr. Connett, at a meeting in New Plymouth on the 6th October, 1922, stated, "The principal feature of the control scheme was that of regulating the putting of our production on the local market." It is clear that the fixing of prices can only be done when the produce is at Home. This is specially so as to produce held back for purpose of regulating supplies on the market. No merchant will put a credit up out here, or anywhere else, for produce he may never get, does not know the price of, and the price of which, when fixed, may not be what he judges the market price. The fact is that the proposals under the scheme as outlined as to regulation of shipments and as to price-fixing would be fatal to the system of finance, which has been such an enormous factor in the great prosperity and rapid progress of the industry. Our system is one of making a minimum deduction from earnings as contributions to capital, and maximum credits on produce immediately it is manufactured. The revolutionary change proposed will reverse the position by making necessary heavy contributions to capital and to reserve, and minimize advances on produce.

The quality of our produce, which is largely due to our excellent system of grading, which induces a healthy spirit of competition among manufacturers, both proprietary and co-operative, being acknowledged to be equal to that of any other country, would naturally make us desire a proportionate price, and we are all agreed on the desirability of doing all possible to attain that end. Sir Thomas Clement's visit has had the effect of adding considerably to the number that would be in favour of a modified scheme of control with the above object if they were satisfied it would be a means, and that it was the only means, towards attainment. Sir Thomas Clement's arguments as to the advantages to be gained by the delivery of our produce on the British market throughout the whole year—every week in the year—so as to give our produce equal opportunity on the market with that of the Danes (and it must be borne clearly in mind that his arguments apply only to butter, and not to cheese) involves for attainment of the objects not only delivery every week, or say every fortnight, throughout the whole fifty-two weeks, but also delivery throughout of practically equal quantities. This has been much stressed by the advocates of compulsory control in their repeated statements as to supposed losses due to the arrival at Home of large quantities at one time and small at another. Sir Thomas' whole argument, and that of those agreeing with him, including the Pool Council, depends upon an unflinching supply in even quantities throughout the year to all who deal in New Zealand dairy-produce. Sir Thomas made it quite clear that any break even of a week would be fatal, as the goodwill would be lost. Continuity of both supply and even quantity was essential. Later Sir Thomas and the would-be controllers realized that for various reasons a service throughout the fifty-two weeks could not be obtained, and one covering forty weeks (twenty fortnights) was then admitted as the only service aimed at. This completely upsets the whole basis, and nullifies the whole contention so far advanced as warrant, if anything could be warrant, for compulsory control, and therefore the Bill should be dropped.

Now, taking the forty weeks, this still involves the shipment fortnightly of equal quantities, a levelling-off of all the flush quantities of butter and cheese so as to make up the shortage in slack periods. The would-be controllers try to delude the producers with bald statements, such as that the shipping is the worst possible, that the shipping companies are alone to blame, and, by inference, that change is necessarily improvement. So far from change such as suggested being necessarily improvement, it may, if brought about, spell disaster, especially so if in the hands of those who have proved their incapacity to handle small adventures on the commercial side of our industry. Their scheme includes the equalizing of shipments they cannot now get out of, for it is the very essence of the whole thing, and they have again and again by precise statements recorded, and by inference made it clear, and, indeed, without it the whole thing tumbles down.

Spreading the whole of our produce equally over forty weeks involves the costs and consequences of (a) storage, (b) shrinkage, (c) depreciation, and (d) interest. One of the main factors of the success and rapid expansion of the dairying industry in this country, so that it has become the premier, the most stable, and the most productive of wealth, is our grading system, which ensures reliance as to quality and weight for purposes of marketing, both by direct sales to merchants and resale by them, or sale on our account through them to the retailer. This again is the foundation of our easy and reliable system of finance. With assurance as to quality and weight, we can, when selling f.o.b. (on the boat sailing) get immediate and final settlement, thus closing each transaction at once. When consigning, we can secure without trouble an advance to close on full value; and, as no question is left open as to quality or weight, we know ahead that the account sales will return us the net market value for the original quality and weight. These are the present conditions, and very excellent and desirable ones they are, which it would be nothing but madness to imperil. During war-time, when produce was stored for longer and shorter periods, deterioration of quality of both butter and cheese took place in varying degree from little to a great deal, also with cheese-shrinkage, which took place up to the extent of a reported 7 per cent. As has been pointed out, carrying over from flush quantities to equalize shipments entails not only cost in interest and storage, but also an unknown degree of depreciation of quality, and an unknown amount of shrinkage, with the result that our present excellent system of marketing and finance will be wrecked, and the whole business of our industry thrown into confusion, and the excellent reputation of our produce destroyed. On the other hand, whilst we desire all improvement that is possible in the shipping of our produce, we contend that the facts do not warrant the granting of control, and do not display anything like the disadvantage to or disregard of our interests that have been claimed and made much of to gather support for control by the promoters.

Taking the past season, for instance, it has been stated in contention of great loss and injury suffered under the present system that large quantities of our produce have, inferentially owing to the fault of the shipping companies, been dumped on the London market at one time or in a short period, and so depressed the market to our loss. This contention, though it has been used to gain—or rather retain—much support for the Bill, is not borne out by fact. I wish particularly to emphasize this point in proof of our statement that genuine endeavour has not been made by our present representatives to improve conditions. The fault did not lie with the shipping people, but with the Dairy Association. Taking the instance made much of by Mr. Grounds at many places as a glaring instance—viz., that 455,394 boxes of butter were dumped on the London market during the period from the 2nd December, 1922, to the 13th January, 1923, with the result that the producers lost a sum of £296,000, as compared with the price obtained for Danish: The facts are—(1) the space was applied for by the dairy associations, the goods were offered to the shipping, and no endeavour was made or appeared to prevent shipment of over quantity, and therefore the fault, if any, was the dairy associations' (the accompanying statements show the position clearly); and (2), whilst the market did fall at the time of the first arrival ("Paparoa," with 55,824 boxes), it immediately recovered, rising during the arrival of 93,670, 98,296, and 101,283 boxes up to the same figure as at beginning, although there were heavy arrivals in prospect. Now, the "Paparoa" arrived on the 8th December. The High Commissioner only gave the market price as 170 to 176. There was a sharp fall, but it was down for three days only, and I cannot trace an instance where New Zealand produce was sold at that time. But I have account sales of 180 to 185 by one firm, as against 170 in the High Commissioner's cable, and from another firm 182 to 187. The "Paparoa" shipment sold at from 180 to 185; the next, the "Orari," at from 184 to 188, and from 185 to 190; and Mr. Grounds's last date, the 13th January, evidently refers to the shipments by the "Mahia" and "Tainui," which sold at from 198 to 202. At the commencement the sales were from 180 to 182. On the recapitulation, the fault was with our dairy associations.

4. *Mr. Forbes.*] You do not give the Danish figures at that time?—At the time of the "Paparoa's" arrival the Danish figure was 202, and it went up to 212 on the 13th January. The contention advanced by the promoters that arrivals of quantities of our produce in a short period causes in itself a fall in the market is wrong, and based on a fallacy. The fallacy is the assumption that quantity of arrivals is the main factor in market fluctuations. Large or small arrivals may be a factor on occasions if concurrent with similar arrivals from other countries, but the main factor is supply in sight and prospective from all sources—in store, arriving, on the water, and in prospect—but dependent on many factors, such as whether the price ruling has tended to increase or diminish consumption, short- or over-production, and even, as during the past year, the rates of exchange. Drought, for instance, with its attendant prospective shortage of production, had a much greater influence at once on the market than any fluctuations in arrivals could have. On the other hand, a keeping-back of supplies is every bit as likely to cause the goods kept back to hit a lower market or a higher or even as good a one.

Turning back to the shipping, eighty liners carried our dairy-produce from the Dominion during the last twelve months, sixty-six of them within a period of forty weeks, covering our main dairy season. These latter gave an average of a boat every four or five days. Only on one occasion was there an interval between arrivals at Home as long as thirteen days, and one twelve. There was one period—that was in February—when the ships failed to lift produce—cheese, not butter—in reasonable proportions to quantities available, and that was due to the interests of the lamb-producers in the flush being studied. Had the dairy associations attended to their duty, there is no reason why special boats could not have been obtained for dairy-produce during the flush. The facts are that the shipping was nothing like so short of our desires as has been made to appear for the purpose of gathering support for control. But it is not suggested that there is not room for improvement.

I cannot take up more of your time to go more thoroughly into the matter, because the question is too intricate. The shipping question is a very intricate one indeed, but I have looked through the plans of all the ships, the variety of kinds of space, and the central point is that whilst they could have lifted a great deal more butter in February with the lamb—because you can put butter into a freezing-chamber—the lamb-producers were favoured as against the dairy producers. But the shortage was not great. I have seen the statements of the shipping companies, and have verified them. The applications in February were for 157,000 crates of cheese, and there were 103,000 crates shipped. I will finish this division by saying that the chief fault has lain with the dairy associations: had they asked the shipping companies to put on special boats it could have been arranged. Do you know that never has such an attempt been made until this year, within the last few months. I cannot find any single record in my investigations of any distinct attempt being made with the shipping companies to put on a special line of boats during the flush season.

So far as our investigations go, the weight of evidence is distinctly against regulation so as to secure shipping of equal quantities, and distinctly in favour of undelayed shipments, so as to get our produce, especially cheese, on the market at the earliest possible date after manufacture; and towards this end the proper step would be the making available of special boats for dairy-produce during the flush; and we are satisfied that this can be secured and, with the magnitude of our dairy-produce, reduction in freight can be obtained by ordinary negotiation, and certainly without the passage of arbitrary and unjust legislation. These returns show very complete details as to the vessels, dates of departure, dates of arrival in London, cabled market prices of butter and cheese and of Danish butter, also some actual sales which compare favourably with cabled advices.

We realize that our present dairy associations have not served our purposes as well as they should, but it has not been due to the lack of power, for no factory has withheld from them the complete liberty and power to make shipping arrangements and enter into contracts on their behalf, and, as a matter of fact, they have entered into contracts right up to the one now current.

We are absolutely opposed to control for any purpose, and opposed to an export tax. We suggest, not as an alternative to the control scheme, for we cannot admit that under any circumstances control can be tolerated, but as an improvement on present circumstances, the replacement of the present dairy associations by a Producers Board, to be established as a representative body of all the dairying industry, whom the producers individually, or a factory, or section, or a whole, can use, the Board to have the special function of attending to all matters appertaining to the shipping of produce, but to be debarred from trading. The Board to be elected for a definite term, say three years, all members going out at the end of each term—just as in the case of Parliament and local-government bodies; the seats to be allotted as nearly as can be on basis of production in different districts; all members going out at the end of the term. I have never heard of the Government of a country stopping when the Government went out of office. There should be a direct election by the ballot, and the possibility of turning out the members of the Board “neck and crop” if they do not suit us. A continuous Board is pernicious, and that is the suggestion in the Bill. Such a body, elected by ballot and removable every three years, would without doubt have the confidence of the producers, and no factory would hesitate to properly authorize them to act as their agents in making any arrangements or entering into any contract.

A great number of us have gone into this matter many times and have had many meetings, and this is their confirmed opinion that I am now expressing; but I will keep to the actual wording of the resolution passed by them: “We oppose the whole Bill, but recognize that there is room for improvement in our present system. With that end in view we are unanimously in favour of immediate legislation providing for the constitution of a Producers Board, to be elected by the producers by ballot for the term of three years. The chief function of the Board to be arranging all matters appertaining to the shipping and transit of our dairy-produce for export on behalf of the owners, and constitute an efficient Intelligence Department.”

I thank you, Mr. Chairman and gentlemen, for having given me a good deal of your time. I feel I have imposed upon you very much indeed, but I say this in excuse, that we feel this is a matter of vital importance, and that our freedom as subjects of the Empire is threatened. The welfare of the industry is threatened, and we cannot tolerate such proposals as are contained in the Bill, and will not tolerate them. We cannot conceive that Parliament will go on with the measure. That is our conviction, and that is why we are going into the matter as thoroughly as we can—to try to put the matter as fully, as carefully, and as thoroughly as possible, endorsed by actual facts, which we are prepared to stand by.

5. *Mr. Masters.*] You are a farmer, Mr. Maxwell?—Yes.

6. You are actually engaged in farming?—Yes.

7. You realize that the present shipping conditions are not satisfactory?—I do—not completely satisfactory.

8. And are you satisfied that if legislation were passed on the lines suggested in your resolution it would meet the position as far as the farmers of New Zealand are concerned?—The whole of us who have consulted on this matter are absolutely satisfied that an elected Board, which we could turn out of office, will have the complete and absolute confidence of the whole of the industry, and that no factory would hesitate to give them all the powers required.

9. And you feel that the disadvantages that do exist, as far as marketing is concerned, are due to the unsatisfactory conditions *re* shipping?—Due mostly to the failure of the dairy associations.

10. In other words, a lot of the dairy-farmers' troubles would disappear if you had better facilities for shipment?—And a better body to represent us to obtain it.

11. You feel that in the past the National Dairy Association has not done much good in bringing about satisfactory shipment?—That is my conviction.

12. In reference to the position in Taranaki, you are absolutely convinced that the growth of feeling in Taranaki is opposed to the present Bill?—I have been through the whole campaign—the co-operative wholesale societies—last year and this, and I assert positively, without any reservation, that the support of the Bill there is daily decreasing, and has very largely decreased. The more that is known of the measure the more it is detested.

13. Regarding the meeting held at Stratford, where the resolution was passed, the reason for holding that meeting was mainly so that all the factories should call meetings of their shareholders and give the opinions of the farmers themselves, and not those of the directors of the factories?—No. What happened was that it was decided that a poll should be taken, and one voting-paper only was sent to each factory, and some of the factories did not get their voting-papers.

14. Was it not the opinion of the meeting that the dairy factories should have the meeting and discuss the question of the Bill so that the individual farmers should have an opportunity of expressing their opinions?—That was the idea.

15. Now, is it not a fact that a large number of the factories in Taranaki have not called meetings for that purpose—Kaupokonui and Eltham, for instance?—That is so.

16. *Hon. Mr. Ngata.*] Supposing the constitution of the Board, as proposed in the Bill, were altered to fit in with your ideas, what difference would that make in the attitude of your party towards the measure?—None. We say that this Bill has been promoted by people who do not satisfy the dairy-producers, that under the programme they are the ones that will carry it out. Mr. Hawken, the Chairman of the Committee last year, put the position exactly when he asked, "Are you not satisfied with these men who have been in the forefront of the industry all these years?" Our answer is that we are not satisfied; neither will we have a measure under which there is any likelihood of these men getting on the Board.

17. But supposing you had a Board selected in the way you propose?—To do so there must be an entirely new measure. This is a Dairy Control Bill.

18. I am not speaking of the powers of the Board, but of the constitution of it—how is it to be elected: supposing the constitution of the Board were exactly as you propose, and elected as you propose, would your objection to a Board disappear?—My objection to the Bill would not be altered.

19. But to the Board I mean?—Any Board elected in that way, and with a definite term of office, so that it could be turned out, would be far superior to the Board proposed in the Bill; but we cannot subscribe to anything in the Bill. We will not agree to the passage of the Bill if we can possibly prevent its passage. There is too much bound up in the measure that we absolutely abhor. There will be endless trouble. The present agitation has gone on since 1907.

20. You do not seem to be opposed to some measure of control?—Yes.

21. Entirely to control?—We want a Producers Board, separately elected by us, to carry out what we desire.

22. What powers do you propose to give to your Board?—We are not following in the footsteps of the Council by rushing in rashly to put forward details. We have put forward a broad principle, and based upon that broad principle we hope that legislation will be immediately put forward. We hope we will be consulted in regard to the details. That is all I have to say on that point. We have not gone into the matter sufficiently to suggest the actual details of a Bill, but the Board must be a Producers Board. It must be elected by the actual producers themselves, terminable in three years, and our desire is that it shall be a body to represent us in all matters pertaining to shipping. The actual details as to how it shall be carried out we have not suggested.

23. Shipping only?—Shipping and investigation—business intelligence in marketing.

24. You have not gone into the details of how the Board is to be maintained?—Very large meetings have taken place to deal with the matter. They have to a certain extent discussed it; but it has been discussed by a limited number as compared with the whole of the producers. They have discussed the various phases, and that phase has been dealt with—but by only forty men.

25. You have no ideas yourself?—My idea is that it shall be maintained on the lines of the National Dairy Association, with a levy on each factory by the Producers Board—if my idea was adopted—according to tonnage.

Eventually it would be a levy on the produce?—A levy paid by each of the factories to our Board, on a tonnage basis.

27. In arranging shipping, is it proposed that your Board shall have power to commit the industry in regard to shipping contracts?—We conceive that to be effective they will have to obtain considerable power, if not almost complete power. As to exactly how that will be obtained I cannot say. My own definite opinion is that if the Board is constituted there is nothing to prevent the whole of the industry having complete confidence in it. Every factory would make the Board its authorized shipping agent.

28. I am conceding that you are entitled to have a Board in which you would have full confidence?—Yes, and we would give them a sufficient authorization, and no factory would hesitate to do so—to make them practically their authorized agents.

29. Who would give your Board the necessary authority?—The factories.

30. If any factory chose to stand out of the shipping arrangements, what would be the position? Would the Board have power to compel it to come within the arrangements?—Candidly, I have endeavoured to get all the information I could from other branches of the trade, and, among others, from the shipping; and I feel satisfied, as a result of inquiries and investigations, that there would be no trouble whatever. Should there be a few cantankerous factories that did not give the power, it would not affect the arrangements in the least. But I cannot conceive that any factory would withhold the power. Mind you, that is my personal view as to the power: I cannot speak for others.

31. You would not need to come to Parliament to constitute such a Board, then?—Yes.

32. Why?—To give the power to set up the Board.

33. *Mr. Burnett.*] It strikes me that your chief objection to a Control Board would be its unrestricted right to control the market for your produce?—Yes.

34. You mentioned in your evidence that the meat industry was at its last gasp. Will you not concede that that state of affairs was brought about by the manipulations of interested speculators and such people?—I do not know enough of the meat industry. I really am not fitted to judge. I do know that it was in a serious position.

35. In the outline you have given of your proposed Board you say that you would give it a tenure of office of only three years. How would you get continuity of policy with a Board having such a short life, instead of providing for a rotation of resignations?—I say at once that a County Council or any other local body is in exactly the same position. I have been a member of a County Council for a great many years—though I am not now—and there are many gentlemen present who are members of such bodies. They know that they all go out “neck and crop” if the electors do not like them, but their contracts and everything else go on just the same. The railways do not stop running because the Minister goes out. Their continuity is in their permanent officers, and the Board would need to have permanent officers.

36. *Mr. Langstone.*] Is not the Dairy Association an elective body?—Not to my idea. It has some vicious principles, to my mind, approaching the American nominative system—a sort of nominating the elector. We have a case where the Chairman is casting a vote in the name of the factory, not only against the suppliers but against the directors of the factory. That cannot be considered a Board elected by the producers. But the main objection is that it is cumbersome. You elect a dairy directorate to manage your factory, and their chief concern is to manage the factory. Then the industry has gone in for a whole lot of subsidiary things, like box companies and bacon companies and innumerable other failures, and year after year no vote is cast by the factories.

37. I believe you have made very favourable financial arrangements with the buyers of your produce, as individual factories?—Most excellent. We have no trouble.

38. Do you think they could be improved?—I do not. I cannot conceive of anything better. We have the local agent, who saves us an immense amount of work. He gives us all the information it is possible to get from his principals at Home. I am satisfied we get genuine and complete information. We deal with our produce then on our combined information and own judgment. If we sell we get the best market price. If we consign we can get 100 per cent. on the net value. As a dairy-factory secretary I have on my files sheaves of account sales where there would be a few pounds debit and a few pounds credit. We generally keep it so that there will be a little credit on the lot. The obvious thing is that if you have a permanent credit you have 100 per cent. on the net value, and you get the money immediately. You can either put the documents into your bank, or you can go to the agents and get a cheque. We know where we are and we have no trouble.

39. There never has been any “jockeying” or manipulating with your produce or the prices after it has reached London, to the detriment of the farmers of New Zealand?—It is impossible for me to say. The merchants at Home are human beings. I presume that among them, as in other classes, there may be a certain percentage that are not entirely honourable men, and I am not going to make any suggestions.

40. *The Chairman.*] You have said you cannot answer the question?—I give my opinion.

41. *Mr. Forbes.*—Where did the dissatisfaction come from—because there must be a very strong body of public opinion or dairy-factory opinion behind this Bill? Did they all get the same treatment from the merchants?—I am satisfied they did. I cannot conceive otherwise. There is a large number of firms competing against each other in their endeavour to get our business and giving us the best price they can, and that gives us a fair deal. Their system of competition ensures us the highest market price that is going.

42. What is at the bottom of it? How did the dissatisfaction arise to cause this Bill to be promoted?—A crowd of agitators.

43. They would not agitate without having some reason?—I assure you I know of factory after factory that has been deluded into this by wild statements as to how we are being robbed by Tooley Street. Not one of those statements has ever been proved, and those factories are now opposing the Bill.

44. Is there any means of getting a correct expression of opinion from the factories? Would a vote of all the suppliers give you a better indication whether the suppliers as a whole require the measure or not?—It is the only full and complete way of knowing the mind of the producer.

45. You think that that ought to be taken?—I say it is the only satisfactory way in which you can get at the mind of the producer.

46. Has there never been any attempt to get at what the actual opinion is in relation to this?—No. Personally I do not think it is necessary to take it. It must be obvious to Parliament that this measure is not wanted; but if it is to be gone on with, that should certainly not be before the mind of the producer—not the dummy voter—is ascertained by means of a ballot.

47. You think that a ballot should be taken before this Bill is passed?—Certainly before it is passed.

48. The opinion of the actual suppliers throughout New Zealand should be ascertained?—Yes.

49. Then would you be willing to abide by the decision of the majority in connection with it?—I will be absolutely candid: Personally I would not. I contend that this is not a matter for the majority. My rights, the rights of every individual, are involved, and no majority has a right to take from me my liberty as a British subject—the right to do with my own as I choose. I should not be selected for special legislation by any majority.

50. You believe in the conscientious objector in connection with the control of your dairy-produce?—I can only tell you my own conviction.

51. No matter what majority might be in favour of the measure, you would still oppose it?—I would not agree to my freedom being taken from me.

52. *Mr. Field.*] With regard to the proposal to take a poll of the suppliers: I suppose before a factory announces its decision for or against the Bill the directors do take a poll of their own particular suppliers, do they not?—No. That is the trouble.

53. Have these decisions been arrived at by the directors of the factories?—I say that Mr. Connett, who is a director of the Bell Block Factory, is a member of the Council. I say that Mr. Morton, a director of the Mangorei Factory, is a member of the Council. Both of those factories are against the Bill. I say that certain factories have never been called together, yet their chairmen have cast a vote. Previously in northern Taranaki the opposition was strong and the support was small. In the south the support was overwhelming. To-day the south is being smashed up. It is being honeycombed with opposition. The factories are not calling together their suppliers or directors because an adverse vote would result.

54. They have done it in some cases, I suppose?—Oh, yes.

55. Does not the control of the industry in Denmark operate very beneficially?—There is no control in Denmark.

56. They have a committee, have they not?—It is purely voluntary—a price-fixing committee.

57. But they are bound by the decision of the committee?—No, they are not bound. I have been told by people from Denmark—farmers and mercantile people—we have written and cabled information that there is no control. There is a combination which acts somewhat in the way we suggest for the interests and benefit of the lot; but you are not bound. You can sell your produce as you like. It is a sort of guide.

58. It has no absolute powers at all?—No. It cannot prevent any man from selling his produce.

59. With regard to this question of shipping: when the Dairy Association has applied for space, has it always got space, and has the ship sailed in accordance with the desire of the association?—I cannot say that absolutely. I have gone through the whole of the applications and the space allotted and the amount shipped. There is a great variation. In many cases the application appears and is carried forward, which swells the amount. The allotment has been less. The shipment, again, has been greater. Of course, before the war things were very satisfactory. During the war period and afterwards things were mixed up. Now we are getting back to normal, and on the whole this year they were very excellent. I do not say they were perfect, but they were very excellent. In February all the produce was not shipped that might have been shipped.

60. Is it true that several shipping magnates control the shipping, to the prejudice of the producers of this country?—That is a wide question. I am not saying that we should be bound to these people at all. I am not entering on that question: it is too wide.

W. J. F. DEAR examined. (No. 2.)

Witness: I am the Secretary of the Kaipara Co-operative Dairy Factory Company (Limited), Helensville. My company agrees to the provisions of the Bill for the setting-up of a Board of Control for the purposes of arranging shipping, finding markets, and other purposes, but objects to section 11 and other sections which provide for the Board's control of the produce, and consequently the financing thereof. The following is a summary of the reasons for the objections: (1) Advances on produce: Under present conditions 90 per cent. of the market value of the produce is available for payment of the monthly advances to farmers. The banks have a triple security for any overdraft under (1) the London agent's letter of credit, (2) the dairy company's draft, (3) the produce itself, by letter of hypothecation. These advances to the farmers are the life-blood of the industry. The Bill does not mention them, and reference to them by the members of the Council promoting the Bill are vague and unsatisfactory. They do not make it clear whether the present London agents are to be retained, or, if they are retained, whether they will grant similar letters of credit, or whether a similar percentage of advances will be available to the present. If that is not going to be so, the only security for these advances will be the produce, and in the ordinary course of events I do not think the banks could advance 90 per cent. of the value. From the best authorities I have been able to consult it seems clear that only 66 per cent. of that value will be available, instead of 90 per cent. The Dominion's export of butter last season was 63,963 tons, and if only 66 per cent. of the value had been available instead of the present 90 per cent., the monthly advances to the farmers would

have been £2,249,365 less. Interest on this at $6\frac{1}{2}$ per cent., the present bank rate, is equal to £14,645, and would be equivalent to a levy of $\frac{1}{4}$ d. per pound of butter. It may be that some members of the Council have in their minds some financial arrangement which will put this argument out of Court, but if so they have not divulged it to us. I brought this question up at the Auckland conference, when the companies were addressed on the subject. I also brought it up three weeks later at Palmerston, and on no occasion did I get a full reply to my question. No arrangements seem to have been made—nothing definite. Besides advances on produce, there are some other minor points connected with finance which are very important to us though they take a minor place in comparison with advances. The first one is (2) exchange on London: At present the banks are charging us $1\frac{1}{2}$ per cent. on our drafts, equal to a charge of about $\frac{1}{4}$ d. per pound of the butter. My company have been able to make certain arrangements for getting out of that charge. We have avoided a good part of it this year, and we hope in the future by certain arrangements to avoid a greater portion, if not the whole of it. (3.) Interest on agent's advances: This is paid either in London or in the Dominion. If it is paid in London, the rate is at the bank rate in London. It was 5 per cent. this past season. In the Dominion it was $6\frac{1}{2}$ per cent. We have been able to arrange for any interest we have to pay to be paid in London, and during the past season we saved $1\frac{1}{2}$ per cent. on £138,477. (4.) Final settlement each season: When the season is closed and the whole of the butter is sold the accounts are made up and a final payment usually called a bonus is paid out to the suppliers in proportion to the butterfat they sent in. No information has been given to us on this point. At present the companies are able, on cabled advice of the sale of the last of the season's output, to calculate and pay out the final payment in the spring months—August, September, or October—when funds are usually badly needed by the farming community. It is very important that this payment should be made as early as possible. The passing of the Bill would take these three matters—exchange, interest, and final payment—out of the companies' hands. The position we have built up in regard to our finance after long and painful years would be smashed at one blow, and we would be entirely in the Board's hands as to how much we could pay out to our farmers. You can see, gentlemen, that it is a very serious position in which we should be placed, and I am afraid it would mean, in my district at least, a good many thousand farmers going out of business altogether if they could only get 66 per cent. of the value of the butter advanced on monthly account. I have endeavoured to ascertain what the possible gains and losses would be under this Bill if it became law. Dealing with the gains first, we should look for an increased return for our produce. The average difference between the prices of Danish and New Zealand butter during the past season has been 10s. 4d. per hundredweight, or slightly over 1d. per pound. It is not likely that control would raise our price to a higher level than the Danes get. Assuming that it raised it to the Danish level, it would gain for us slightly over 1d. per pound, and that would only be done at the cost of holding over a portion of our output for sale during the off-season. As to the reduction of shipping-charges, it is difficult to see how this Board would be in any better position than the National Dairy Association has been in the past. The association has acted as shipper for practically the whole of the produce. But even allowing that it would be able to make some better arrangement, a 10-per cent. reduction—which would be a big thing—would only amount to $\frac{1}{3}$ d. per pound of butter. There is thus a possible gain of $1\frac{1}{3}$ d. per pound of butter.

1. *Mr. Hawken.*] How much would that be on the total amount?—I have not worked that out, but it would mean about £6,000 to my company. Against this possible gain there are probable losses. In the first place there is the interest on the difference in advances, as mentioned in paragraph 1. There is interest on any butter held over for the off-season. To regulate the supply through the whole season it would be necessary to hold over half of our output for six months. I believe that the export value of the produce last season was £16,000,000. That would be bank rate of interest on £8,000,000 for half a year. There would also be interest on delayed final payments, and loss on exchange, which is at present more or less avoided by most companies; and, finally, there is the levy authorized by the Bill— $\frac{1}{4}$ d. I cannot give exact figures for these items, because they would vary under different circumstances; but, as far as I can see, the gains and losses about balance each other. It appears to us, however, that the probable losses are more certain to take place than the possible gains. One of our complaints is that all along there has been a great paucity of information as regards the financing of this Bill. I have asked for information repeatedly and have failed to get it. I do not blame the chairman, Mr. Grounds, for that, because Mr. Grounds has been attending to the general principles of the Bill; but I do think that some other member of the Council might have attended to this important matter of finance and placed a definite scheme before us. The chairman of the Council, Mr. Grounds, has said that the chairman of the Associated Banks told him that "there should be no difficulty about finance." That is practically all we have had to go on, and it is really too vague and uncertain for anything. We feel that a much more definite indication of financing arrangements could and should have been forthcoming before any of the dairy companies were asked to consider this Bill. My directors consider that they have a mandate from the shareholders and suppliers to manufacture and market the company's produce, and they cannot agree to that control passing from their hands until they are satisfied that the financial arrangements are going to be at least as favourable to the farmers as they are at present.

2. Do you think it is necessary that the Board should change the finance? What grounds have you for supposing that the Board would change the present finance in any way?—They have not said what they are going to do. Under the Bill as it stands at present I do not see how they could get an advance of 90 per cent. If they can show us definitely how they are going to get it I shall be satisfied; but after twenty-five years' experience in the mercantile world I cannot see how they are going to get it. As the Bill gives the Board power to take our produce, it cuts our financial arrange-

ments from under our feet. As it gives them that power, there should be a liability on their part to put forward some definite financial scheme to show that they will leave us in the same satisfactory position we are in at present. That they have failed to do.

3. The Board will not necessarily take over your finances : it is not necessary for them to do so ?—But they must do so if they take our produce.

4. It is not necessary under the Bill for them to take your produce ?—The power is definitely given.

5. But will they exercise it ? As common-sense men, do you think that any Board in the world would disarrange finance without getting a better finance ? Do you think that any common-sense Board would do that ?—I do not know if they would or not, but we cannot afford to take a risk of that kind.

6. *Mr. Field.*] Your complaint is that the Board have not brought down their financial arrangements, and you cannot tell whether they can make as good financial arrangements as you ?—That is it exactly.

7. *Mr. Masters.*] Mr. Hawken said that the Board may not take over your finance. Have you looked at clause 16 ? It says that the Board shall take the whole of the moneys which are paid for the produce and pay it into a certain account ?—That is so.

8. And it says that before any other amounts are paid out the Board shall pay the expenses, commissions, and other charges incurred by the Board ; it shall pay the salaries of officers and servants of the Board ; it shall pay travelling-allowances, fees, or other remuneration to members of the Board or of the London agency ; and it shall pay the advances made by the Board to the owners of any dairy produce. So all those payments have to be made before the dairy-farmers get their money ?—That is it.

9. That is expressly stated in clause 16 ?—Yes.

10. So that under the clause do you not think the Board must take over the finances ?—If they take over the produce they take over the finances with it, because we have nothing to finance on when the produce is gone.

11. You are satisfied they do take over your finance ?—They do take it over under the Bill. But what I am not satisfied about is this : are we going to get 90 per cent. of the current market value of that produce to give to our farmers ? If not, the result is going to be so disastrous that I do not know what to think it will be.

12. You consider it is essential that the farmers should get the greatest amount of money possible and get it as soon as possible ?—That is my contention.

13. Do you think that under the Board of Control the farmer will get the same amount advanced as he does at present, and will get it as promptly as he does at present ?—No, I do not think he will. If I could see any possibility of this Board making the same arrangements as we make at present my case would break down ; but I cannot see where they can go to get it.

14. Do you think that the bonuses which will be paid will be paid as promptly under the suggested system as they are paid at present—I mean at the end of the season ?—No, I do not think so. We have to get to work very quickly, and watch the position and make arrangements months ahead, and it is a very difficult thing to get the season's accounts made up as quickly as possible. I do not think that a Board, dealing with the whole produce of the country, could reasonably be expected to get their accounts finalized so quickly as the separate companies are able to do at present.

15. *Hon. Mr. Ngata.*] You suggest that the present position of the dairy industry cannot be improved on ?—That is so, on the financial side.

16. Is it capable of improvement in other respects—marketing, and so on ?—I suppose I must answer your question, but I was trying to confine myself to the financial aspect alone, leaving other witnesses to speak on other points.

17. *Mr. Langstone.*] I understand you are an accountant ?—Yes.

18. The assets would not disappear simply because a Board was appointed : the assets would still be there ?—The asset would still be there, but it would be gone from our control.

19. Would not that Board be able to make as favourable financial arrangements for a big concern as a small concern can make for itself ?—No, I do not think they would be able to make as good arrangements, because they could not give the security. The whole thing must rest on the security given to the banks, or offered to them. If we have an agent in London who is in a very big way of business trading with other countries, and he is willing to put down a letter of credit for, say, £40,000 for us to draw £6,000 against ; and if we are able to give the bank the butter itself and also our signed draft, they have a triple security which is unassailable. The manager of our local bank has told us that he does not care what we pay out—he is amply secured. On the other hand, the Control Board would simply have the produce, and whatever financial institution they went to, whether it be a bank or otherwise, I do not see that they could get 90 per cent. of the value of the produce advanced.

20. Before you would be prepared to support the Bill you would want the promoters to include something definite whereby those arrangements could be made ?—Yes, very definite, too.

21. If that were done you would support the Bill ? That is your main reason for opposing it—the financial one ?—That is my main reason.

22. *Mr. Forbes.*] Could it be done if the Government were to finance it ?—Yes, that would overcome the difficulty ; but my directors are much averse to asking the Government to finance the industry at all, because it is not necessary. We are doing very well, and we do not want any alteration.

23. You are very definitely opposed to the Bill ?—To clause 11 and the succeeding clauses, which give the Board power over the produce.

24. The Bill would not be much of a Bill if you cut those provisions out, would it ?—No ; I agree to that.

25. *Hon. Mr. Nosworthy.*] You are quite alive to the fact, when you draw our attention to clause 16, that it is contingent on clause 15?—I did not draw your attention to clause 16.

The Chairman: It was Mr. Masters.

Hon. Mr. Nosworthy: That is so. Clause 16 is only contingent on clause 15.

26. *Mr. Hawken.*] Arising out of the question asked by Mr. Masters, I wish to ask you if you contend that the Board would necessarily take over the finance under the Bill? Mr. Masters's question, of course, would lead to that inference; but is it not possible for the Board merely to make a book entry, as it were, deducting their expenses and allowing the companies, as at present, to arrange their own finance?—But we could not do it if the produce were taken from our control.

27. But it is not necessary under the Bill for the Board to take over your produce?—It is not necessary, perhaps, but the power is there.

28. But do you not think that before exercising that power any Board would make suitable financial arrangements?—It is not certain.

29. *Mr. Forbes.*] You assume that when power is asked for in a Bill it is going to be used: is that your feeling?—That is so; or it may be used.

30. You take it that those powers would not be in the Bill unless it was the intention to use them?—The power is there—that is our contention—and may be used to our disadvantage.

31. The argument you are using is against the powers being given?—Against their being given unless accompanied by full financial guarantees.

H. WELLS examined. (No. 3.)

Witness: I represent the White Cliffs Dairy Company. I am not an orator—I am simply a farmer, and want to state my factory's objections to this Bill. I am chairman of the White Cliffs Dairy Company, in north Taranaki. I attended a meeting at Wellington last September on behalf of my company and voted in favour of the principles outlined there; but when the Bill was issued it was totally different from what we had agreed on at the meeting in September, particularly in regard to marketing, which I was informed by the chairman at that meeting—Mr. Morton—they would not interfere with. Since then we have opposed the Bill, as we consider that it is impossible to finance through the Associated Banks. They propose to finance us, I believe, by advancing not more than 70 per cent. through a bank, and then we would have to wait indefinitely for the balance of the money. In the case of the butterfat tax we had to wait about eighteen months, and if there is going to be anything like that it will be ruination to a good many of us. At a meeting of my directors held last week two of them stated that unless we could get the most liberal advances, such as we have had in the past—that is, up to 90 or 100 per cent.—it would be impossible for them to stay on their farms, and they would lose all they have made in fifteen years. They are steady, hard-working settlers, of the type the country requires. They are paying their way on the present advances, but they could not go on on a 70-per-cent. advance and have to wait for the balance. There are hundreds in Taranaki in the same position. We have three returned soldiers in our district, and they are in much the same position. They have informed me that unless we can get the same advances as we have been having it will be impossible for them to stop on their land. The Bill was postponed last year to enable the producers to go into the matter and learn more about it. The result is that there are a lot more opposed to it now than there were then. Two or three of the largest factories in Taranaki have turned it down during the last two months, and at present one-third of the dairy companies in New Zealand are opposed to the Bill. There are 200 for it and 103 against, and several Taranaki companies have not yet called a meeting of suppliers, though those companies are shown as voting for the Control Bill. I asked the chairman of one company at Palmerston if he was prepared to move an amendment to the Bill, and he said, "No, but that is exactly what my shareholders want," and he voted for the Bill at that meeting. On the question of shipping, there is a proposal to contract with a shipping firm to carry our produce at regular intervals at the same price as that paid now, which we consider 50 per cent. too high. After our having dealt with one firm for twelve years, which firm has customers for our brand of cheese, it would be detrimental to our interest for the Board to assume control and sell it through whom they thought fit. As I say, this firm has customers for that brand of cheese. They have got used to it, and they can deal with it better than the Board of Control could if they selected other agents.

1. *Mr. Masters.*] I take it that the farmers whom you represent realize that some improvement is necessary so far as the produce is concerned, more particularly in regard to the transport of it?—Yes, in the transport they certainly realize that there could be some improvement.

2. There is dissatisfaction as far as that is concerned?—Yes.

3. Do they favour a Producers Board being set up for the purpose of dealing with shipping?—Yes. They would be prepared to accept the proposal that Mr. Maxwell put forward.

4. Would they be prepared to give legislative power to compel all dairy factories to ship through the channel arranged by that Producers Board?—I do not know about "compel." That is a rather hard word for my producers.

5. Supposing an arrangement was made by the Producers Board, do you think they would raise any objection to shipping the produce—provided satisfactory arrangements were made?—Certainly not. We have never done so yet, under the National Dairy Association's arrangements.

6. Do you think that a Producers Board for all the producers would do better work in regard to shipping than the National Dairy Association has done?—I should hope so.

7. *Mr. Field.*] If the farmers in your company could be assured that under the working of this proposed Board they would get advances of 90 per cent., would that dispose of your main objection to the Bill?—I do not know.

8. That seemed to be your main objection?—It is the main objection, but I do not know that they would be content with 90 per cent., because we have often got 100 per cent.

9. If they could get the same advances under the Control Board as at present—how then?—No, because we could not get finished up in the time. We would probably have to wait six months for the finish-up.

10. If the Board could satisfy you on that point, would that remove your final objection?—No, I do not think it would.

THOMAS MARR TIMPANY examined. (No. 4.)

Witness: I represent nine companies in the South Island. The statement I am going to make is simply from a Southland point of view—the district from which I came—and from the standpoint of a director and an individual supplier. One member of the Committee was very anxious to know what the producer thinks has led to the bringing-in of the proposals in the Control Bill. Getting down to the actual facts concerning this matter it all boils down to the different views of the different companies about consigning and selling. You are all aware of the great advantage of the commandeer, of the good prices realized, and the money that it brought into New Zealand. During that commandeer the same argument turned up, perhaps from the same source, as these pools have originated: they wanted a free market. We will go back, then, to the first year of the lifting of the commandeer. The Southland factories, our own company in particular, had several offers of 14½d. per pound for our cheese. At that time the Marketing Association scheme came in and was taken up and fostered both by the National Dairy Association and by the South Island Dairy Association. Any person of sound business judgment at that time must have known that the good prices offering were very payable and did not warrant any risk in going further to chase the little bit perhaps that might come. Several factories, exercising their own good judgment and acting upon the advice of their financial advisers, accepted that price. Several decided to follow the fate of the Marketing Association, and they followed it through with disastrous results. The following year the very same thing occurred. We were offered the payable price of 11½d. My own company sold half its output at 11½d. As business people we did not feel justified, when we had a good payable price offered, to risk the returns to our suppliers to any further extent. We accepted. Other companies did likewise. A good many refused the price, consigned their produce, and suffered a disastrous result. It all resolves itself into a matter of business failure. The very people who were so anxious to consign their produce to the London market and realize the last farthing “missed the bus” both times. Then, after they had been offered the price, the whole blame fell upon Tooley Street—“Tooley Street worked this, Tooley Street worked that.” Those are actual facts. Then come along these agitations for the pool schemes. First was the one fostered by Mr. Goodfellow, which was rejected, and now we have this one. The companies which I have the honour to represent first and foremost oppose this Bill by reason of the compulsory clauses which make provision for usurping from them the right of selling their own produce. If there is an important duty cast upon the directorate of dairy companies and placed in their hands by the suppliers it is that. It is the most important, because on it depends the success or failure of the season to the dairy-factory suppliers. If you frame a proposal to take away the selling-rights of the directors and place it in the hands of other people, you are seeking to usurp the rights of the directors of a properly constituted company, who are responsible to the suppliers for the return. It is bad enough to feel that you have suffered for your own mistakes, but it will be worse in the future to think that you are perhaps going to suffer for the mistakes of others. I question very much the right of a chairman voting and giving the consent of the suppliers to this Bill, even supposing that the directors decided to give the consent of the company to the Bill. I take it that as a dairy-factory director I was elected to see the management of that company through, and I was entrusted by the individual suppliers to sell their produce to the best advantage; and I would be doing what I consider is contrary to my duty as a director if I took upon myself to hand that task into the hands of other people. Let me go back to the commencement of this season, when cheese reached the price of 1s. 3d. on the London market. It was the opinion of my company that the purchasing-power of the people at Home did not warrant such prices, and we undertook to sell our output to the best advantage. Whether we were right or wrong remains to be seen. But yesterday, to bear out the judgment of our directorate, the paper issued by the London Chamber of Commerce came into my hands, and if you look that paper up you will see in it a report bearing out what I am saying about the purchasing-power of the community at Home. That report intimates that the purchasing-power has fallen considerably, and that the exporters of raw produce to the United Kingdom will have to be prepared to accept lower prices in the future. This affects not only New Zealand but every country that is exporting to Britain. It is a world-wide matter, and time, and time alone, is the factor that will repair it. Now, who would be so bold as to suggest that the industry at the present time and in the past has not prospered with the existing channels and the existing system of marketing? It is more an accident than anything else, I suppose, that New Zealand produce has at the present time such a hold on the British market. When the war came on and the different continental countries were forced out of the market, that was New Zealand's golden opportunity, and she got in. She got there by good will, and I maintain that she must retain her position by good will. If one takes Dalgety's latest report showing the shipments of produce entering London for the last four months and looks over it to see the different countries that are exporting to the United Kingdom at the present time as well as New Zealand, one will find that there are four or five continental countries again able to send produce to Britain. We

know that our produce has increased by practically 100 to 150 per cent.; there is three times the quantity going into the market at Home from New Zealand that there was before. If one takes the 1921, 1922, and 1923 figures one will find that all the countries on the continent that are sending produce into Britain—perhaps I should not include Denmark—are in the same position: they have increased threefold the products they send to the London market. It is my opinion that inter-Empire trade is one of the problems of the future, and we want to encourage the people at Home to take our produce. We want to use every inducement to get them to take it, and I am afraid that this Bill, with the compulsory provisions that are in it, will not improve matters in that respect. With regard to my company, for the past three years we have endeavoured to improve our own marketing position. We have met with success. There is no harm in my telling you what has happened. As a result of our enterprise we are independent of Tooley Street altogether. We have our own agent in the United Kingdom; we have sent him trial consignments of our produce, and he has reported very favourably on it. He has told us that he can handle the whole of our output if we desire to send it through him, and he has offered for the coming season to buy or accept the whole lot on consignment under better conditions than we can possibly get through Tooley Street. I put it to you that we have been enterprising enough to look out for our own ends, and, if nine or ten other people have not been enterprising enough to do the same, why should we be compelled to give away our good business to those that have not been enterprising? As to the financial aspect of the question: I have been a director for six years, and during that time I think I have signed the bulk of the cheques passing from that factory. We are in very intimate touch with our own banker. We work under a "joint-and-several," and by our selling policy we have made the most favourable arrangements with our banker, and we are drawing the maximum advances. I earn my living on a farm. I was on it long before the rise in values took place. Year after year, when a bit of money came in during the war, I found, like every other man who has a farm, that there was always something to be done, always something to spend money on, a hundred-and-one little improvements to make; and I doubt very much if many of the farmers in Southland to-day are very much better off now than they were in pre-war times. The great bulk of the enhanced return they got through the commandeering has gone back into the land. One knows this from the way one is doing one's-self, and I have had it corroborated by the chairmen of other factories, that if the financial arrangements are not as satisfactory as they have been it will be impossible for people to carry on the farms. There is only one way, to my mind, and it is this: the farmers must have the ready money; and the question of advances is most important. We all know that each individual company, through its personal touch with its banker, is able to get a far better advance than it would get through any Control Board. The personal touch is the thing that counts. I heard a man say to-day he has had a 100-per-cent. advance. That is the effect of what one would call the personal touch. I am very doubtful, if a Control Board were established and the thing came under the hands of the Government, whether much personal touch would come into the matter. I may be wrong, but I have very grave doubts. The question was raised at the meeting of this Committee last September. There seemed to be the greatest antagonism between the proprietary companies and the co-operative companies. As an opponent of the Bill it struck me most forcibly that the proprietary company was looked upon more or less as a scapegoat. In Southland we are almost totally co-operative; there are very few proprietary companies there. There might be six, perhaps eight; and we manufacture cheese principally. There is a danger from this Bill that appeals to me as a co-operative supplier. I am told—and I have had this corroborated—that in the North Island proprietary companies are springing up in the middle of the co-operative districts and taking away supplies from the co-operative companies, simply because the proprietary companies can give a better advance. The co-operative companies have enough trouble in holding their suppliers together as it is, but supposing that under this Bill there was a hitch in the finance and the advances were not so good? I consider that this Bill is the finest thing out for the proprietary companies, because under it they will collar a lot of the suppliers of the co-operative companies. We have had experience in our own factory, and other factories down South have had it likewise. There is another point I should like to impress upon the Committee with regard to proprietary companies. A lot of the members of co-operative companies must take off their hats to the good management of the proprietary companies in holding the position they do. These proprietary companies are practically unanimous in saying they do not want this Control Bill. Why? The main reason, as far as I can find out, is that they are not prepared to allow their selling-rights to go out of their hands. Every rational man knows that the success or failure of the industry depends upon the selling-rights. As business men and specialists in the industry I take it they know what they are talking about. The co-operative companies should take a leaf out of their book and recognize that what they are saying is right. I fail to see, in the event of this proposal going through, how you are going to affect the market in any way. Things will have to right themselves in Europe, and the purchasing-power of the community will have to remedy itself, before we can expect to get better prices. I think prices are going to stay at the same level as at present or perhaps go a little lower. Now this Bill comes along. Provision is made in it for a Control Board. There is to be a levy made on the factories. The Board will have the right to create reserve funds and sinking funds, and it will have the right to withhold or sell your produce as it thinks fit. The position with a co-operative company that is operating under a joint-and-several is that all the banks are compelling you to create reserve funds of your own. We are being forced to do everything. In Southland we have been asked to support a cool store, which will take a considerable amount of money. For everything on the co-operative idea you are asked for support, and you have to finance your own suppliers and finance these other concerns with just the same bank balance. If you are going to give away the rights of the suppliers and to allow all these inroads into their returns it will be a very serious matter, and the suppliers will be very shy of returns at the end of it.

FRIDAY, 20TH JULY, 1923.

THOMAS MARR TIMPANY further examined. (No. 4A.)

1. *Mr. Langstone.*] You said that you had been able to procure an agent outside Tooley Street who handled your produce on much better terms for the company than Tooley Street had given. If that is so, would it not be possible for all the dairy-farmers of New Zealand to act similarly?—In making that statement I did not wish to insinuate that we could make any better arrangements through them than we have made through Tooley Street, but the arrangements have been just as good, if not better. This firm is able to take our products, and handle them continuously if we so desire, and place them consistently on the market to a certain clientele. In doing so we have established a name for our product, and it will always be sold in the same reliable condition.

2. *Hon. Mr. Ngata.*] Are you not a director of the Woodlands Company?—Yes.

3. Are you speaking on your own behalf, or on behalf of the company?—I will answer your question if you are prepared to answer one of mine: Is there any suspicion that I am not authorized to speak on behalf of my company?

4. Well, there is a telegram here from the chairman of the Woodlands Dairy Company stating that they support the Bill. Can you explain that?—Yes, if you are prepared to take the evidence that I gave as conscientious. The position of our company is that our chairman has no authority to say what he stated at a meeting of the South Island Dairy Association. I quite anticipated that this would be done, and I have a right to represent myself as an objector, and to represent the objectors in my company, as opponents of the Bill. My authority for making the statements I do is on far safer ground than the inference you might draw from that telegram. I can assure you that the question has never occurred in our directorate. The previous resolution that was adopted, opposing the Bill, has never been withdrawn with the consent of the directorate or the company.

5. *Mr. Musters.*] Has your company had a meeting of the shareholders to discuss the question?—No—not at any time.

6. Then the shareholders themselves have not passed a resolution either for or against?—They have never been asked.

7. So that you, as a director, are taking up the same attitude as the chairman of directors—expressing your own personal opinion?—Yes.

8. He has no authority from the shareholders to say that the factory is opposed to the Bill?—Absolutely none.

 JAMES COTTER examined. (No. 5.)

1. *The Chairman.*] What is your position?—I am chairman of the Hinuera Co-operative Dairy Company. I am also requested to represent the Morrinsville Co-operative Dairy Company. I am instructed by both boards of directors to oppose the Bill. The following are the grounds on which the dairy-farmers I represent, and with whom I have come in contact, oppose the Bill. First of all, there has never been any indication by the promoters of the Bill, as far as I know, as to how they are going to bring about any reform in the present system for the marketing and shipment of produce. That is a very important point. The only thing which it appears to us that the promoters of the Bill ask, and which the Bill itself asks, is that the dairy-farmers of this country should hand over produce to the value of something like £16,000,000 to a board of directors, which is composed at the present time mainly of men who have for twenty-two years had the opportunity of working out any ideas or schemes they may have had for the betterment of the dairy-farmers of this country, through the National Dairy Association. They have proved that in that respect they have absolutely failed. The National Dairy Association, as far as I know, has done very little, if anything, in the interests of the dairy-farmers of New Zealand. They have stated, in answer to that suggestion, that they had no power—no authority. As far as I can learn, they had the whole of the dairy-farmers of this country behind them, and the dairy-farmers looked to them as the executive body representing them, and supposed to work in their interests. If they had been a live body of men, out for the interests of the dairy-farmers, they would have brought any reforms which they thought necessary before the dairy-farmers. If any legislation was required they could have advocated it, and I feel confident that they would have got whatever support was necessary. Now we find those men who have proved a failure as members of the National Dairy Association coming forward and asking the dairy-farmers to transfer the work which they were supposed to have carried out to the shoulders of this so-called dairy pool, or Dairy Control Board, and still to keep in existence the National Dairy Association. The Committee will see that from the very start they have not indicated that they intend to remove any of the disabilities or any of the concerns which are at present on the backs of the dairy-farmers, in bringing about what they call a reform. They still intend to keep the National Dairy Association going, and I understand that they intend to resolve it into a limited-liability company, dealing in merchandise, or something else that the farmer is not concerned in. I feel confident that nobody present can say that there is anything to indicate how they are going to bring about the so-called reforms in our present system. There is certainly nothing in the Bill, and I have followed Mr. Grounds in his addresses on the subject on several occasions without learning how it is to be done. Mr. Grounds is one of the cleverest speakers I have heard among our dairy-farmers, and I feel confident that if there were any strong points in the possession of the promoters of the Bill, showing advantages that it would gain for the farmer, he would have made the most of them. In my opinion Mr. Grounds has made the most of a very bad case, but not once has he, or any of the promoters of the Bill, indicated by what means any measure of reform is to be brought about. In the early stages of the movement

they stated that they were going to cut out the Tooley Street merchants. That seemed to appeal to quite a number of dairy-farmers. The farmers are filled up with the idea that something should be done—that some better system of organization should be evolved than we have at present. The fact that it was proposed to throw off the Tooley Street merchants and get as closely in touch with the consumer as possible did appeal to a very great number. For that reason a large number of farmers are supporting the measure. Later on we found Mr. Grounds stating that it was intended to use the ordinary channels of distribution. According to the Press report he enumerated the various firms in Tooley Street whom it was proposed to use. Clearly, they do not intend to do away with the middlemen in the Old Country. Provision is also made in the Bill for local agents. A man could come and purchase my butter, and ship it through the proposed Dairy Control Board. It will be seen that it is not proposed to remove any one. Then how is it proposed to bring about a better system? Will the mere fact of our pooling our butter and handing it to the so-called Control Board bring about any reform? The object of the Bill is supposed to be to bring about a better method of marketing and shipping, but they have not indicated in any one respect how those reforms are going to be brought about. The only thing that is asked is that the dairy-farmers shall sign a blank cheque, and leave them to fill it in. In my opinion, and in the opinion of great numbers of other farmers, we have not sufficient confidence in the men who are to constitute the Board, or in the promoters of the movement, to sign a blank cheque and leave them to fill it in. That is practically what it means. It has never been indicated how the Board is to be elected. It has been stated that they intend using the factories as a unit. The same men stated that the representation on the Board will be on the tonnage-basis. If that is so, it is possible for one or two big companies to control the whole thing, and many of the smaller farmers would be absolutely cut out, and have absolutely no say whatever in the sale of their produce. It has not been indicated either on the platform or in the Bill, how better shipping facilities are going to be brought about. We all agree that improved shipping facilities are absolutely necessary to assure regular shipments, but again I say it has not been indicated in any shape or form how that is to be brought about. Neither have the promoters indicated how they are going to bring about a reduction of freights on dairy-produce. They have merely asked the dairy-farmers of this country to hand over to them the whole of their produce, to do what they like with it. In the Bill there are one or two things very clearly pointed out. They have given themselves ample freedom for getting at the moneys accruing from the sale of dairy-produce. There is to be a levy of so-much per pound on butterfat and so-much per crate on cheese, and if they want more there is a further clause allowing them to take practically whatever they like. As a farmer—one who comes out of the shed morning and evening—I protest against that sort of thing. There is no man who would welcome some system of better organization more than I would. I would give such a change my absolute support, because as a practical farmer I know the necessity for it. But I know that the dairy-farmers of this country are not at this time in a position to stand experimental legislation. If the experiment failed, the farmers of this country would stagger under a load too great for them to carry. They have not had the protection to which they were entitled. On many occasions in the last few years we have had glorious-looking things placed before us, but they are millstones around the neck of the farmer to-day. Cows in the Waikato carry mortgages greater than their own actual value, and I say it behoves us to move in this matter with unbiased minds, and go carefully into whatever action is proposed, in case we adopt a load which is sufficient to crush the farmers of this country. It has been stated, even by witnesses on our own side, that we must look forward to a drop in the price of butter. I have heard that stated repeatedly from both sides. My own experience is that unless the dairy-farmers can by some means cut down the cost of production a great many more of them will go to the wall. We have had members of the present Control Board on the National Dairy Association, and they stood by while the dairy-farmers were taxed beyond any other class of people in the country. Since 1914 there was a 150-per-cent. rise in the freight on dairy-produce, when, as far as I can remember, no other commodity rose by more than 60 per cent. They never make any mistake when they want to get on the back of the farmer. The farmer has now more than he can carry. My contention is that to place this Board in power to handle our produce would, from our past experience, be a very grave mistake. Shipping is the only thing left now. They are going to use Tooley Street still, and they have made provision for local agents in this country. Assuming that they can bring about a reform in regard to shipping, is it absolutely essential that they should tie up the whole of the produce of the country in order to do so? I claim that it is not—that the improvement in shipping arrangements could be made without it. If the National Dairy Association were honest and kept up to the duties which the dairy-farmers of this country intended it to perform those reforms could be attained, because when the National Dairy Association spoke it spoke not as an individual, but as the mouthpiece of practically the whole of the dairy-farmers of this country. I claim that it could have brought about any improvements in shipping, or almost anything else that this Bill claims to do. There are other important points that I have refrained from touching, because they have been dealt with by other witnesses. I will conclude by again, on behalf of the two companies I represent, protesting against the passing of the Bill.

2. *Mr. Langstone.*] Do you not think that a better organization amongst the farmers would tend to stabilize the prices of our dairy-produce?—Better organization would, but you have to bear in mind that this is a terribly big question. Organizing within New Zealand will help us to bring about better shipping arrangements, but it does not get over the difficulty of the power that is held by the people on the other side. The promoters do not purpose interfering with that at all. We have to ship our produce, and that produce is to go through the hands of the biggest and wealthiest concern in the world, the Tooley Street merchants. This is not a thing which has grown up within a day or two: it has grown, and grown scientifically, for many years. It has grown to such an extent that it not only

controls the market at Home, but controls shipping as well, in order to make the organization perfect. We have proof that even the retail shops are organized. Individual men are supposed to be owning from ten to one thousand shops. The only way in which we could possibly organize to overthrow or compete against such an organization would be for the British Empire to take it up. I believe the time will come when we shall have to take some such step, organizing in regard to the produce of the various countries. There are only three or four exporting countries, and England is their market. The only hope for successful competition with Tooley Street would be for us to organize to control the bulk of the export. I feel confident that Mr. Grounds and the other promoters of the Bill saw all that. They saw what they were up against.

3. Do not the Tooley Street merchants both buy butter direct and sell on consignment?—Yes.

4. *Mr. Masters.*] Have you any authority for your statement that it is the intention to keep the National Dairy Association in existence if this Bill is passed?—I heard remarks by various men at Palmerston North. If I made a misstatement I did so unconsciously, and I would be willing to withdraw it. But I was told definitely by men who were supposed to know—by leading men on the opposition side—that it was the intention of the Board to continue the National Dairy Association, but that it would resolve itself into a limited-liability company, dealing with merchandize and other kinds of goods—factory accessories and the like, I take it. That is the only ground I have for the statement.

5. You said also that Mr. Grounds had stated that they intended still to put produce through certain Tooley Street firms?—Yes.

6. Did he name the firms?—I have not the names with me. I saw that in the Press. I have no doubt that Mr. Grounds, if he made that statement, would still stick to it. I saw it in print a few days before I left Auckland.

7. You also stated that the cows in the Waikato carry in mortgages more than their actual value?—Some of the cows.

8. What is the cause of that?—In many instances reckless expenditure on behalf of the dairy-farmers of this country.

9. In what way?—In regard to milk-powder factories. You will remember the great boon in milk-powder factories. Representatives of a large body of dairy-farmers in the Waikato stumped the country and told the farmers what a beautiful thing milk-powder was going to be for the dairy-farmer—3s. 6d. or 4s. a pound for butterfat. Farmers were going to milk sovereigns into the bucket. The result was that we all rushed milk-powder. I am very pleased now that they did not come to us. We are not carrying those loads. We have now dried-milk factories in various parts of the Waikato, which, in my opinion, are millstones round the necks of the farmers. As you know, the bottom has fallen practically out of milk-powder. While the promoters of that movement may have been honest in their intentions—while they may have really believed that the thing was all right—the fact remains that they went into it without investigating it as they should have done. I understand that some Taranaki people, before going into the matter, sent a couple of men to America to make inquiries, and found that the bottom was about to fall out of the milk-powder business—that it was overdone—and they came back and reported accordingly, therefore the Taranaki people did not go into the venture.

10. Then, though there has been a heavy capital expenditure on dried-milk factories, they are not to-day a payable proposition?—That is so.

11. And there has been a charge on the farmers to meet the interest on the capital expenditure on those factories?—Yes.

12. Can you say whether the gentlemen who recommended the Waikato farmers to go in for those factories are supporters of this Bill, or are they opposing it?—They are supporters of the Bill. They want to get on the farmer again, I presume. That is one of the reasons why, while the Bill may be all right, we are distrustful. If it is put on the statute-book I hope, for the sake of the farmers, that it will be a success. Notwithstanding that I am opposing it. If, however, it becomes law, I will do all I can to make it a success.

13. You stated that the National Dairy Association could bring about all the reforms that are proposed in this Bill?—Yes, that is my opinion.

14. Without any legislation?—Yes.

15. Then why have they not done it?—Well, that is exactly what I want to know. And those men are asking us to place further powers in their hands. They failed when they had the opportunity.

16. Have they had time?—They have had twenty-two years.

17. What do you think—is it incompetency on their part?—I think so. I have been told that they have got it in such a way that it is difficult to pass them over.

18. What will be their functions if they still stay in power as a national dairy association?—Selling rubber, perhaps, and drawing big salaries.

19. *Hon. Mr. Ngata.*] You are really in favour of some form of control, are you not?—I am in favour of any system of organization.

20. You do not like the form suggested in the Bill?—No.

21. What is your own proposal?—We have not gone definitely into that side of the question. I believe that if those interested got together with an honest intention of placing the dairy-farmers in a better position we could bring about an organization, and when that was done I would not care whether we were tied or not.

22. Do you think the farmer is capable of voluntary association to bring about what it appears to be quite evident is the trouble with the industry?—That is a big question. While on our side many

people take exception to the term "compulsion," I believe that if they got together honestly and formulated some scheme, compulsion would to a very great extent be necessary, because I foresee that if there were no compulsion we would have the very men we want to cast off our backs running the business.

23. Are you not on the wrong side?—No. I still object to the Bill.

24. Well, you agree with the principle of compulsion?—Under certain conditions, but not under a Bill of this kind.

25. *Mr. Forbes.*] How could Mr. Grounds say that we were not going to cut out Tooley Street? Whom does he speak for? I understand that a Board is to be appointed which will determine the policy under the Bill?—Mr. Grounds speaks, I understand, as one of the promoters of the Bill—as one who has brought it into existence.

26. But the Bill provides that there shall be nine persons representing the producers, and two are to be appointed by the Government. Can Mr. Grounds speak for what those men will do?—Mr. Grounds, I take it, speaks for the men who have pushed this Bill. We cannot take into consideration what may be in the minds of others who may come on the Board. The fact remains that they would be governed by the Bill, and all the powers in the Bill would be granted to any one who might succeed them.

27. But would not those Boards be composed of men who are independent as far as the organization is concerned? If the producers considered that they could cut out Tooley Street, they would not be bound by what Mr. Grounds would think?—I am not in a position to say what they would think. I am only here to give you an actual statement.

28. But you said that under this Bill they are going to continue Tooley Street, and continue local agents, and really not interfere with anything. But that is not the actual Board. The Board is not elected. You cannot tell what their policy will be until they are elected?—I understand that there is a Council or Board in existence at the present time in connection with the Control Bill.

29. Are they self-appointed, or what?—Probably some one who knows the thing more closely than I do can answer that question. There is some body in existence now, I am sure.

30. Somebody that is able to say what the policy of the Board will be?—Yes.

31. Is it the National Dairy Association?—Members of the National Dairy Association, I understand, are also members of the Board that is behind the Bill.

32. You think they can speak for the policy that will be carried out?—Undoubtedly. We have to accept their statements now.

33. So the policy is really "cut and dried" before the Bill is passed?—That is my feeling in the matter.

HERBERT EDWARD PACEY examined. (No. 6.)

1. *The Chairman.*] What interest do you represent?—I am a director of the Taikerea Co-operative Dairy Company, and speak with the approval of my colleagues in expressing opposition to the Bill. One of the grounds of opposition is that there is no sufficient mandate from the producers, who are immediately concerned. Such expression as has been given is approximately two to one in favour of the Bill. Some of the statements which have been made, however, seek to express the opinion for and against on a butterfat basis, which is not, I think, a proper basis, for the reason that many of the companies who express themselves in favour of the Bill do not represent the whole of their shareholders and suppliers. In that respect they are in the same position as Mr. Timpany, who spoke against the Bill. The point is that the producers themselves, who are most immediately concerned, have not given a real expression of opinion. The nearest expression which has been given by the producers themselves was taken by the *New Zealand Dairyman* when the Bill was before the House last year. The editor of the *Dairyman* invited those of his readers who were producers to express their views, and there were considerably more than ten to one against the Bill. I do not suggest that the producers as a whole would be divided in that proportion, but what I do say is that the producers have not expressed their will, and therefore there is not an adequate mandate. In support of the Bill there has been quite an assortment of propaganda. In the early stages of the movement the propaganda definitely sought to discredit Tooley Street, impeached the honour of Tooley Street, and by an appeal to prejudice undoubtedly raised strong emotions among some of the companies. Those emotions are still the driving force in favour of the Bill, although the more recent expressions have been of a more benevolent kind. They have admitted that Tooley Street is well fitted to serve the industry, and have expressed the opinion that that channel of distribution will continue to be used. Mr. Cotter in his evidence spoke of a statement which had recently been published concerning the Tooley Street merchants. I believe that the reference made by Mr. Cotter was to a recent cablegram which stated that a number of produce houses, which were named, had met and had agreed to form an association to co-operate in promoting the interests of the New Zealand producers, subject to the provisions of a letter which was put before the meeting giving an assurance that there would not be any disturbance in the existing channels for the distribution of dairy-produce. It has been implied that this is an indication from Tooley Street in favour of the Bill; but that, clearly, is not intended to be implied. Even if it were implied, and if the promoters of the Bill and the merchants of Tooley Street were in league in this matter, there would still be an important section of the producers in New Zealand who would object to the Bill being enacted. The trouble is that the Bill is a very drastic one, and would serve the purpose of either section of propagandists to which I have referred. It is the Bill itself that I wish to criticize, because manifestly it is what can be done under the Bill that matters. As far as the propaganda is concerned, there has been a want of candour, or otherwise the

different statements are explained by the fact that there are factions within the group who are seeking the Bill, and therefore the future policy is a matter for conjecture. But the Bill enables a most drastic policy to be followed, and that is very seriously objected to. It is urged in favour of the Bill that good results have attended the enactment of the Meat Bill. It is urged that we want the same price as the Danish people receive for their butter, and that the Bill will enable us to get that. It is urged that there is much gambling in butter, and that the Bill will permit of that gambling being stopped. It is also urged that there have been extraordinary fluctuations, which should not have taken place, in the price of dairy-produce, and that the Bill will permit of those fluctuations being reduced. It is also urged that shipping has been very bad, and that the Bill will make possible better conditions. These reasons are good as far as they go, but they are more or less fallacious. Concerning the Meat Bill, when it was enacted the meat industry was in a desperate position. It was not organized to the extent that the dairy industry is. We have an organization which is a very good one.

2. *Mr. Forbes.*] What organization is that?—I mean the whole organization of the industry on co-operative lines, including the grading of our produce, which permits of a satisfactory basis of sale.

3. *Hon. Mr. Ngata.*] Meat is graded too?—Meat is graded, but the evidence that was given before the Committee which considered the Bill of last session was that the meat industry was comparatively disorganized, and I think that was proven by the fact that some of the difficulties have been removed by the Meat Board. For instance, it has eliminated a number of small brands, and has also eliminated some waste. We do not need a Bill to do that for the dairy industry. The Meat Board has secured some reductions in ocean freight, and some reductions in dock dues, but in respect of these, other countries have participated to at least an equal extent, while other classes of goods, in respect of which there has not been a Board to aid them, have also enjoyed substantial reductions. As far as dock dues are concerned, it is partly due to a reduction in wages in the Old Country that they have been lowered, and I think I can safely hazard the opinion that part of the reduction has been due to the boosting of other ports in Great Britain, which has necessitated London adopting a policy which will popularize its port as against the other ports. The prices of some classes of meat have been improved, but beef has not materially improved, and if the mutton improvements were due to the influence of the Board, it is fair to suppose that the Board would have effected a similar improvement in beef. Further, the mutton from other countries that are without Boards has enjoyed the improvement in prices. Therefore it cannot be seriously claimed that the Board has done what is claimed in that respect. A reduction in railage has been effected, but we are of opinion that the Parliament of this country will not find it necessary to set up a Board to force from the Government a reduction in railage charges. To suppose that would be to suppose something that is absurd. Further, the Bill is dissimilar from the Meat Bill in one very important respect: there is no provision in the present Bill for financial backing in the event of control becoming compulsory, and without that financial support control would be a very dangerous hazard indeed. I have referred to these points concerning the Meat Bill in order to show that it does not constitute a reason for the enactment of a Dairy Bill. Concerning the relative prices of New Zealand and Danish butter, I place on record my view that our butter is at least as good as the Danish article. If circumstances were equal, it is fair to require that our prices should be also as good. But there is one very important difference between Denmark and New Zealand. Denmark exports all the year round to almost the same extent, whereas we are off the market for several months in each year. Some years ago, even before the war, it was foreseen that the Danes had an advantage in supplying the English market right through the year, and an attempt was made in New Zealand to similarly serve the market all the year round. To that end, butter was held over for some months, charges by the way of storage, interest, and insurance being thus incurred. There was a little deterioration in the quality of the goods, but not to any extent. After these expenses were borne, the butter was sold on a worse market than it would ordinarily have had. In the face of such conditions the experiment was not considered to have justified itself.

4. For how long was it tried?—For a year. If the same policy were resumed there is serious reason to fear that it would again break down, for the same reason. I agree that under the conditions that have prevailed during the last couple of years that policy could have been pursued probably to some advantage to the producers, but the conditions which made that possible were due to the war and post-war conditions. Adjustment is gradually being made, and I venture the opinion that within a couple of years at most, when normal ratio of supply is available from the Northern Hemisphere, that policy could not be carried on to the advantage of the industry. I should like to quote a few figures in support of that view. In 1913 Great Britain imported 199,000 tons of butter, of which 77 per cent. was produced in the Northern Hemisphere. In 1922 the importations into Britain were 188,781 tons, of which 40 per cent. was produced in the Northern Hemisphere. It was that change-over from the dominating production in the Northern Hemisphere which made butter more valuable in the English summer than in the English winter, which was the natural condition. The relative position is now changing. For the four months ending the 30th April, 1922, the importations from the Northern Hemisphere were 452,628 cwt. For the same period in 1923 the figures were 659,739 cwt., an increase of 45 per cent. If we were to say that the year's increase would not be 45 per cent., but 33 per cent., it would mean that for 1923 we should be back to 47 per cent. of the British supply from the Northern Hemisphere. Those figures clearly prove that we are getting back to the normal ratio of supply, when the carry-over policy would inevitably result in loss.

5. *Mr. Forbes.*] What is the total increase?—If the anticipated ratio of increase for the Northern Hemisphere is attained it will mean that the importations for the year will be 214,020 tons, which is more than the pre-war importations, almost half of which would be from the Northern Hemisphere; thus we are getting back to the time when more than half will be produced there. Just recently Sweden has come forward with large quantities, and the Netherlands have come forward

with large quantities. So also has Finland. If we expect to enjoy permanently the advantage we have had during recent years from curtailed supplies in the Northern Hemisphere, we are making a very serious mistake. To base a policy on that expectation would be dangerous in the extreme. Thus the carry-over policy is unsafe. We have had in New Zealand a small illustration of what is likely to happen in the pursuit of that policy. The "Otarama" completed her discharge on the 20th April of this year. One company that shipped by that vessel realized immediately, and got for its butter from 150s. to 162s. Two other companies, so I have heard, directed that the "Otarama" and subsequent shipments were to be held, probably till September. Now, the holding of that butter will cost almost 1½d. per pound. If it were held for six months the cost would be a little over 1½d.; for four months a little over 1d. Thus the holding of the butter is costly, and it is highly probable that it will ultimately be sold at a lower figure than if it had been realized upon at once. That is one of the dangers of the carry-over system. Sometimes you may gain by it, but there is a chance of losing more than you could gain, and the policy is not safe. Concerning gambling in butter, sometimes that term is confused. There are large numbers of people in the Old Country who need regular supplies of butter, and they buy forward to make sure that they will have adequate supplies for their requirements. That, admittedly, is *bona fide* business. Neither poolites nor anti-poolites would have anything to say against it. But there is in the butter and cheese business, as in exchanges and in practically every walk of life, a certain amount of gambling. But it is negligible as far as the butter business is concerned, and I express the opinion that it would continue under the most drastic form of control, because prices would rise and fall, and people who wanted to gamble would watch for their chances. Indeed, I am of opinion that gamblers would have better information for their improper purposes under control than under the present conditions, because under control that information would be all focussed at one point, whereas now it is distributed over forty or fifty points, and therefore is much more difficult to assess. Fluctuations are another thing which it is sought to eliminate. If they could be eliminated it would be greatly to the advantage of all sections of the industry. But these fluctuations during the last year or two have been abnormal, and the reason for the abnormality is the inability to adjust requirements to the new ratio of supply from the Northern and the Southern Hemisphere, as demonstrated by the statistics I have already submitted. Another reason is dumping from other countries, due to economic disturbances. Ordinarily, butter might be destined for America or Germany, and if currency or other considerations made trade there impracticable it might be diverted to England. The result has on more than one occasion been a glut. Further, Ireland has again come in, and is now an important factor in the butter business. During the rebellion the butter-supplies from there were negligible, if not nil; but now Ireland is coming back, and that is another factor in fluctuations. Again, currency contributes also to the effect. Normally, £1 will buy 18-15 kroner. For a long time you could get 22 kroner for £1. Then quite suddenly the price varied, and you could buy 24 for £1. Danish butter is quoted in kroner. Manifestly, if you can buy more kroner for £1 you can buy more Danish butter for the £1. The result was a sharp decline in the value of Danish butter on that occasion. These are some of the influences which cause fluctuations. Those fluctuations are to be deplored, but they are due to circumstances which are beyond the control of any Board or any Government.

(Examination interrupted in order to take witnesses who were obliged to leave Wellington at once.)

JAMES HINE examined. (No. 7.)

1. *The Chairman.*] What company do you represent?—I desire to give evidence on behalf of the Tikorangi Dairy Company, and also the Patua, Lepperton, and Mokau Dairy Companies. I am a small farmer, delivering milk to the Tikorangi Company. That is one of the most successful, one of the soundest, and I think it is the oldest of co-operative dairy companies in the Dominion. We have no dry shareholders, and we have successfully carried on our business for thirty years. Our suppliers unanimously oppose the Bill. They oppose it on the ground that it is vicious in principle, economically unsound, and that it denies to them the right to carry on their own private affairs. The promoters of the Bill, in Taranaki especially, have told us what they are not going to do under the Bill. We can only assume that they will take and put into operation practically the whole of the powers it will give them. Mr. Grounds himself has been more careful in his statements. He has not committed himself in the way a good many supporters in Taranaki have done. But although we have been assured in our district that the present channels of marketing are not to be disturbed—that practically things are to go on in the usual manner—yet the promoters of the Bill, or some of them, have stated that if the marketing scheme is cut out it has no value to them whatever. That statement was made by Mr. Grounds yesterday to Mr. Green, in a discussion between them as to the prospects of the Bill if the marketing scheme were eliminated. In our opinion the aims and ideals of the promoters of the Bill are absolutely wrong. With our experience of thirty years we are satisfied that in the interests of the industry our best, and safest, and wisest course is to have shipping so arranged that our produce will be put upon the English market regularly as fast as it is made. The question of storage is at the back of the minds of the promoters. We have had it on several occasions. I might say that I think Mr. Grounds is a living illustration of the aphorism that speech was given to us to conceal our thoughts. Nevertheless, he has at times let things slip out, and he has dwelt on the question of continuity of supply. Mr. McMillan, M.P. for Tauranga, spoke at Palmerston North in reference to the Bill, and remarked, "How nice it would be if we had our produce in London waiting for a market." That implies storage, and storage would be absolutely disastrous. It has proved so. During the last two or three years, while the post-war conditions in Europe have been abnormal, the

summer price of butter in London has been equal to, and sometimes better than, the winter price. Just because of these one or two abnormal seasons, the promoters of the Bill have jumped to the conclusion that it is absolutely necessary that we should spread our stuff over the whole year. That means that there are interest and storage charges, and all sorts of things to be paid. Again, the conditions are changing: the Continental supply is coming back, and there is every indication that the summer market in London will not be equal to the winter market. As regards control, we have had instances of attempted control from this end, and the result has been disastrous. Those who have attempted it have "fallen in" every time they have tried to control the London merchants. There have been schemes for judiciously feeding the London market. Only lately, when the London market was hungry for butter, one large concern decided to divert butter to America, and we have it on the authority of the shipping company that the ships were in Auckland waiting for butter, but owing to some hitch in the negotiations of sale they could not get away at the proper time. Eventually the butter arrived in America. It was then sent by the American buyers back to London, where it accentuated the slump. That is an instance of the results of control from this end. There is not the semblance of a trust with regard to the London merchants. We say that as the result of our long experience. The people who are dealing with our produce are as independent as we are. I would like to pass round to the members of the Committee specimen copies of account sales of our butter which is handled by our London merchants, and put direct into the hands of retail grocers in parcels of from one to three and four boxes—occasionally a little larger than that. Mr. Forsyth, one of the strongest supporters of the Bill, was sent to England, America, and the Continent. When he came back he told us that after careful investigation he was satisfied that our produce was passing through too many hands. There is only one firm between ourselves and the retail grocer. If the proposed Control Board is set up there will be another intervening body, with huge costs. I maintain that we are as close to the consumer as it is possible to get. Even the promoters and the Control Council, so far, have not seriously suggested abolishing the English retail grocer. A speaker at Palmerston North did suggest it, but I will not suggest that he is one of the promoters. While I am dealing with this matter I would like to give an illustration of the experience of a dairy company the chairman of which is in the room now, and will be able to correct me if I am wrong. This company had one thousand three hundred crates of cheese in store in New Zealand waiting shipment. These, in the natural course of things, would have been sent to a Tooley Street firm. The dairy company asked that firm if they could sell this parcel of cheese at a stated price. A reply came back that they could not, and did not anticipate that it would realize the price asked, and added, "but if you can sell it, do so. The factory did so: they sold it to another firm, and got their price. Now, sir, that does not look a very bad action on the part of Tooley Street, who have been called manipulative speculators. There is nothing in that contention, absolutely; and I can say after thirty-five years' experience that never once have we found a Tooley Street firm acting in other than a straightforward manner. At the present time we have the best possible control we could have, and under it we are free agents, notwithstanding the remarks which have been circulated around Wellington that we are in the pay of Tooley Street. We are not; we are free agents; and we have this hold: that if they do not return to us a price equal to that given by other competitors, they lose our stuff; and you cannot get a better control than that. Another matter I wish to deal with is that of the local trade. Why is not the local trade supply included in this Bill? It is a peculiar thing that it is not included, because the local trade is affected. It is not included, because no party in this country dare for one moment introduce a Bill into Parliament which had for its object the cornering of the people's food-supply. This is a butter Bill, and not a cheese Bill, whatever may be done ultimately with regard to the latter product, and, being a butter Bill, the position is that the local market is affected by it. I do not say that the price here is exactly governed by London, or that it rises and falls exactly with that market. On a rising market the price of butter on the local market is often below the export price. Some of the butter we exported to London last summer—in the early part—realized 1s. 7d. f.o.b., while we supplied the local market at 1s. 5½d. We made the loss we expected, but it came back to us when the autumn arrived, because the local price did not come down as quickly as the export. I think that fact will be quite plain to the Committee. The local market is governed by the export price, and the factory which is supplying largely the local market will get the benefit under this Bill. If the Bill does not increase the price returned to the producer, it is useless. If it does what those who advocate it think it should do, it will have the effect of raising the prices locally, and those factories which are engaged in the local market trade are those on the railway, or close to the means of communication, and they will enjoy the benefit without having contributed in any way to the cost of the thing. I think that possibly that position has been overlooked. I will now close my statement, and try to answer any questions that may be put to me.

2. *Mr. Forbes.*] As far as you know, there is nothing in the trade that calls for this Bill?—Nothing whatever.

3. You do not think that an organization is necessary for the improvement of freights and other matters?—Yes; an organization should not be necessary, but it is necessary, simply because the National Dairy Association has not done its duty. An organization for the arranging of freights would, if properly gone into, do good, no doubt. That is our weak point.

4. But the National Dairy Association has failed to carry out what it would like to do?—Yes, because at the head of it there are a lot of vain men who are continually initiating these schemes interfering with the business of others. Instead of keeping to their own business—looking after shipping and doing some good work in that direction—they are running about the country holding meetings about these schemes.

5. Are they, then, at the back of this Bill?—Yes.

6. You have no faith that any good can come out of a control of this kind in connection with the National Dairy Association?—I will go further and say that I have no faith that anything good can come out of this Bill, no matter who are the men in favour of it. As it is, the Bill itself is bad and vicious.

7. Do you consider that there is a strong opposition to it?—Yes, very, especially amongst the rank and file.

8. The figures placed before us indicate a strong majority in favour of the Bill: are you aware of that?—Yes.

9. Are those figures correct?—I would not challenge them, but I think it would be very difficult to prove them. There are gentlemen in this room who will admit we have been trying to get genuine and reliable information on the subject, and we understand there were two hundred factories in favour of it and one hundred against it.

10. Do "factories" mean suppliers?—Yes; but the trouble is that the suppliers have not been consulted. We find that some of those people—Mr. Morton and Mr. Connett, for instance—have done nothing else but press the Bill for the last twelve months, and they have been acting in opposition to their shareholders, who have passed resolutions against it. Others, large companies in Taranaki, have not taken the votes of their shareholders. I do not think Eltham is in favour of it.

11. Do you hold the idea that the promoters are influenced by the fact that there will be some well-paid positions connected with this Bill?—No; but of course there will be. I think it is vanity, and the gentlemen who are behind the Bill have the idea that they can rule the earth—that is the trouble.

12. But they are public-spirited men, are they not?—They have more public spirit than discretion, sir.

13. *Mr. Field.*] You are satisfied with the London market known as Tooley Street?—Absolutely.

14. If you want to get away from Tooley Street can you do so?—Yes. We are the most independent company in New Zealand. Our share capital is practically all paid up. We are not tied to firms. We do not care for anybody.

15. Is it the fact that you are dealing with a Cardiff firm?—Yes, and with other firms. We dealt with the Cardiff firm years ago. We were satisfied with our account sales and had no reason to leave them. But we are absolutely free, and I do not think there is any dairy company in New Zealand that is not free, unless it is some of the larger concerns.

16. In the ordinary course the Cardiff firm would have no connection with Tooley Street?—I think that Cardiff is a Tooley Street firm. They have their agents in Tooley Street, like the big importing merchants—Davidson and Co.—whose headquarters are at Glasgow. We know the Cardiff firm as a Tooley Street concern. We speak of all the produce firms generally as "Tooley Street."

17. The charges on the account sales are quite satisfactory?—Yes. They vary—4 per cent. and 2 per cent. We are charged according to how it is sold.

18. Have you any suggestion to make as to improving shipping matters?—I made suggestions in Taranaki, but they were not adopted. I suggested that the National Dairy Association be reorganized by the elimination of a number of representatives, as the present large body has been disastrous. I proposed the cutting-down of the directorate to two or three producers and two or three business men, who should confine their attention entirely to the shipping, and, in fact, the trading should be eliminated.

19. *Mr. Masters.*] You are not satisfied, are you, with the present shipping arrangements, or feel that they are satisfactory?—No, I am not.

20. You think that improvements should be made by means of some organization, so that the shipping of the whole of our produce might be the means of securing a reduction in the rates of freight?—We can try. I think there are too many organizations; but, mind you, I would not have another that would do any controlling, or that would be able to say, "You shall ship your butter," or "You shall not." In the matter of prices of freights, such an organization might be useful, but I would not have any organization interfering with our right to say whether we will ship or not.

21. You are in favour of a Board of Producers being formed to do their utmost in the matter—to ship on behalf of the whole industry?—Yes, with the proviso that its operations are confined purely to shipping.

22. How would you say this Board should be elected?—By the suppliers of the factory. I would not care if they were just suppliers, either to proprietary concerns or co-operative.

23. And individual farmers should have the right to vote for who should represent them on that Board of Producers?—Yes.

24. Messrs. Connett, Morton, Corrigan, Forsyth, and Marks are men closely associated with the industry in Taranaki, and also with the National Dairy Association, are they not?—They are, and you cannot separate the two.

25. Do you think those gentlemen represent the views of the working farmers of Taranaki?—Well, we know that Mr. Morton and Mr. Connett do not. We have very grave doubts about Mr. Corrigan, because I have not heard of him consulting the Hawera suppliers. He might have done, but I do not think so. And I am certain that Mr. Forsyth, the Chairman of the Eltham Factory, has not.

26. Would it surprise you to know of a resolution passed at a meeting of about four hundred dairy directors held at Stratford—a meeting lasting from 10 o'clock in the morning to 5 o'clock at night: the main resolution was that every director representing his company there should go back to it and call a meeting of the shareholders? Have Messrs. Corrigan, Forsyth, or Marks ever failed to call that meeting and ask the opinion of their shareholders on the Dairy-produce Export Control Bill?—I cannot say that it would surprise me, as I had an idea that they would not bother; but you are quite right.

27. You know the effect of the resolution?—Yes, but it is not a surprise to me.

28. They have not carried out the instructions of that committee?—No.

29. Therefore they are not able to speak on behalf of the working farmers in that particular district?—Not at all.

30. You know the experience we have had in Taranaki of the administration of these gentlemen regarding the Rennet Company?—Unfortunately.

31. You also recall the experience we have had regarding the loss made by the Bacon Company?—Unfortunately, I do.

32. You have also a recollection of the large losses made by the industry in connection with the Smart Road Freezing-works?—I do.

33. Those are the gentlemen who are at the back of this Bill?—Yes.

34. *Mr. Langstone.*] You say that your factories are opposed to the Bill?—Yes.

35. Do you say they took a vote on the proposal?—A vote was taken of the suppliers—one man one vote—and it was unanimous.

36. Do you think that by the establishment of a dairy pool there would be any chance of eliminating the overhead charges of running your factory?—Under the pool they do not propose to interfere with the factory. All the pool promoters will do is to leave us to milk the cow and make the butter, and then they will come in and sell the manufactured article.

WILLIAM GOODFELLOW examined. (No. 8.)

1. *The Chairman.*] Do you wish to make a statement?—Yes. I have come to give evidence on behalf of the New Zealand Co-operative Dairy Company, of which I am the managing director, although I also represent the farmers and settlers. The company I represent controls approximately one-fourth of the total butterfat output of this country. Last year we exported over 19,000 tons of butter, 3,500 tons of cheese, besides a large quantity of milk products and casein, the whole representing an approximate selling-value of £4,500,000. We have fifty factories. I speak with some experience of marketing dairy-produce. I have personally visited every country in the world that imports our goods. I have been twice to Europe, three times to America, besides visits to the Orient and the Pacific islands. I state emphatically that the greatest problem facing the dairy industry in New Zealand to-day is the question of marketing the produce. The difficulty is accentuated owing to the tremendous increase in the quantity of butter and cheese available for export. Ten years ago the quantity of butter available for export was approximately 18,000 tons. Last year, ending 30th June, 1923, over 60,000 tons was available for export. If the increase continues as at present, and as during the past two years, it is quite obvious to all those studying the marketing aspect that some improved system must be applied to the marketing of our produce. The position is further complicated by the economic position in Europe, and further by the fact that Siberia has dropped out of production. The consequence is that the weight of production is now in the Southern Hemisphere instead of in the Northern as previously. This shifting of the weight of production from the Northern Hemisphere to the Southern has dislocated markets, and the result is that it is more difficult to effectively market the produce of this Dominion to-day than ever in the past. The phenomenal expansion of the dairy industry in connection with butter in New Zealand, Australia, and the Argentine has resulted in enormous shipments of butter arriving simultaneously on the London market during the British winter season. This fact creates periodically an unwarranted depression in the market owing to the fact that there is no systematic regulating of supplies. If this is allowed to continue, and the expansion continues, there is not the slightest doubt but that chaos will be the ultimate result. The present system has been tried and found wanting. It has been proved by experience that under the existing system the New Zealand factories are competing with each other for the buyers. There are only a limited number of buyers, and under the existing system the factories are competing with each other for the disposal of their goods. There is no system regulating the quantities to be sold from day to day, or week to week. Irregularity of deliveries causes speculation, and results in enormous national loss to this country. These difficulties have been overcome partially by some of the large concerns, and despite the remarks which have been made to the contrary I say here, and without fear of contradiction—I can prove it—that the control established by the New Zealand Dairy Company fortunately has been an unqualified success, and has resulted in the producers of butter in this country receiving tens of thousands of pounds in money more than they would otherwise have obtained. Realizing the difficulty, and owing to the fact that my organization exports about one-third of the total butter sent from this country, we have recently appointed a London manager, a man acquainted with the London business, and fully competent for the position. We arranged to ship equal quantities each year of the total produce to four different agents. We packed the whole of the butter under three brands, standardized in thirteen large central factories, according to quality—“superfine,” “first quality,” “second quality.” Equal quantities of each brand are shipped by boat to each agent in London. The minimum prices are fixed by our London manager, and the fact of fixing the minimum prices ultimately decides the volume of business to be transacted. If the price is fixed low the sales increase; if the price is fixed high the sales fall off. In addition, the manager has to obtain from the agents daily account sales, so that there can be no juggling. We have our consignment accounts audited every month, and in that way we have eliminated speculation, and the producers whom we represent have now some measure of control in connection with the sale of their produce in the United Kingdom. We find the scheme to work exceedingly well; the four consigning agents are doing their duty, and we have not had the slightest friction, the scheme is,

in its entirety, exceeding our expectations. To give a concrete example of what happened recently in our case I might mention that New Zealand butter recently slumped badly, and as there was practically no sale in London we sold the bulk of our stuff to the United States, Canada, and other markets during December and January, and we had practically nothing in London. It was not for some weeks after the slump set in that heavy shipments of our produce commenced to arrive in London. As soon as a quantity of produce arriving Home began to make its weight felt on the London market our London manager at once put the scheme in operation by fixing the price slightly ahead of the market price. The lowest price we received during the recent slump was 144s., and to-day the price is fixed at 160s. Many other shipments from other places, and I believe the great bulk of the New Zealand stuff, during the worst part of the slump was sold at from 136s. to 138s. I have received cable information from London that the Mapole Dairy Company recently purchased 1,000 tons of New Zealand butter at from 136s. to 138s., which is from 6s. to 8s. less than our organization was paid for butter during the worst period of the recent slump. The effect of this meant a loss to every producer, because the Mapole Dairy Company immediately placed the butter in their retail shops at 1s. 4d. per pound, and as they have six hundred shops the result is that the retail price is being held down, and probably will continue to be held down until those 1,000 tons are sold. Our price (London) has been recently fixed at 160s., which is equivalent to 1s. 5d. wholesale. Our buyers state that the price is too high, because the Maypole Dairy Company referred to is retailing through its six hundred shops first-grade New Zealand butter at 1s. 4d. per pound. So if the 1s. 5d. wholesale is too high it means, if they have to sell in competition with the Mapole company, that they have to sell at a loss. That is only one instance of what is going on all the time, and is one of the big disabilities of the existing system. In considering the advisability of introducing some legislation on these important matters, the promoters of the Bill have given very careful consideration to what is being done in other countries in order to improve marketing conditions. Every producing country is faced with difficulty in connection with the sale of its products, and to quote what is being done in Denmark, or Canada, or any other country, and apply the systems adopted by any of those countries to this Dominion, in our opinion would not necessarily be successful. I have been in Denmark several times, and conferred with a member of the Danish Committee, and I am satisfied that, although the Danish system of selling is a first-class system for Denmark, it would be quite useless in New Zealand, because Denmark is only forty-eight hours from the English market, whereas New Zealand is twelve thousand miles distant, and it takes two months to put our produce on the market. The distance in time—not necessarily in mileage—is such that, if we sold our produce on an f.o.b. basis, as in Denmark or Canada, the result would be to increase the speculative element. I can give a concrete example of this. Some months ago we wanted to sell produce to New York merchants. They were quite frank about the matter, and stated that unless they could see 2d. a pound clear profit they were not going to send their money out to New Zealand and buy goods many months ahead. They said, "You send to New York a consignment, and we will take delivery ex-ship, and pay you the market price." Their argument was that if they were going to purchase goods in advance, f.o.b. New Zealand, there was an element of risk about the transaction, and that in order to cover the risk they would have to have a fairly large margin of profit. The existing method of selling through the Tooley Street merchants has proved scrupulously satisfactory. The Tooley Street merchants themselves are famed all over the world as being the ablest men in the business, and we believe as a very large company that nothing is to be gained by going outside them. The Tooley Street organization has been built up over practically a century, and is the best it is possible to obtain, provided some form of control is established. The main thing required to put the business on an improved basis will be, first of all, to eliminate speculation, and, secondly, to co-ordinate all selling agencies. This could be done in this way: (a) Regulation of supplies; (b) fixing minimum prices; (c) obtaining daily account sales; (d) auditing accounts monthly; (e) by a system of national advertising. If the Dairy Export Control Bill becomes law there is not the slightest doubt that by national control we will be able to extend and develop other markets, which would be almost impossible to develop under the existing conditions. Our own organization is doing a great deal of pioneering work in that direction. We have agents in the East, and are shipping regular quantities to China, the Straits Settlements, Manila, and a number of islands in the Pacific. But in order to successfully compete with our rivals it is necessary to spend quite a large sum of money in advertising, and, after all, it seems only a fair thing that this should be done nationally rather than by one particular firm. With regard to marketing and finance, those are two points regarding which a great deal of nonsense has been talked. A lot of reference has been made to the difficulties connected with the financing of the produce under the control scheme; but it appears to me that there is no difficulty whatever, as the existing system must continue. Under it the merchants establish a credit, and against that credit the banker advances to the factory, and the factory advances to the supplier. There has been some suggestion that the Dairy-produce Export Control Board might conduct its own finance through the Associated Banks, but to my way of thinking that is not practicable. It would be unsound, and such a scheme could not be put into operation unless the Board had first of all very substantial reserve funds, or considerable capital, to fall back on. Several of these merchant concerns have a capital running into millions, and there is not the slightest doubt that the local banks are making advances now largely on the financial backing of the firms that are establishing credit in Britain. So they depend not only on the value of the produce, but very largely on the financial standing and stability obtaining behind the credit. Another important point overlooked by most parties is that if the Dairy Export Control Board did decide to ship produce through the Associated Banks, in that case the merchants in Tooley Street would be under no financial obligation to market

the goods. That is a very important point; and, representing as I do about 25 per cent. of the butter shipped from New Zealand, our company would obviously oppose any scheme for altering the existing system of finance. If we had to put our bills through the local banks, and were faced with reclamations at the other end, the reclamation would be debited to our accounts here in New Zealand immediately, and the result might be a dislocation of finance. Under the existing system, if you work on a letter of credit it involves a temporary debit at the other end, and you reduce the liability with the next shipment of goods; and therefore any suggestion under existing conditions to vary the present system of finance is absolutely ridiculous. I will refer to one or two other matters in conclusion. The statement has been made that dried milk has undoubtedly hampered the progress of the butter industry in the Waikato. The person who made that statement ought to know better, because it is not correct. The statement that promises were made up to 3s. 6d. is equally incorrect. I say that within twelve months the gentleman who made the statement will recognize that dried milk has been an unqualified success. We have had exceedingly difficult times owing to the slump in milk products. That slump has passed away, and the time is coming in this season probably when the suppliers of dried milk are going to receive a higher price for butterfat than the suppliers of any other dairy product of the Dominion. I am not largely interested myself in the National Dairy Association; I have little to do with them. I am not a director, and only a member of an undertaking associated with that organization. But I wish to say that the National Dairy Association has done a great deal of good for the industry, and officially they have little or nothing to do with the Dairy Export Control Bill. In final conclusion, may I sum up my observations? We say the existing system of marketing has been tried and found wanting. We believe that it is imperative that something should be done to improve the marketing of our primary products, because if nothing is done, and the industry continues to expand, there is no doubt that we shall be up against a very serious financial position. The dairy industry will get into a chaotic condition unless some form of satisfactory control is established forthwith.

2. *Mr. Langstone.*] You said that Siberia has gone out of production. Is that temporary or permanent?—The best authorities say there will be no butter from Siberia worth talking of for another ten years.

3. Of course you hold the view that by concentrating the whole of the dairy-produce business you would be able to get far better results than at present when you are only dealing with one-quarter of the output?—Exactly; by having full control we would not only get all the benefits we are now receiving under partial control, but other benefits it is impossible to get with partial control.

4. You do not anticipate any trouble with regard to finance?—Not the slightest.

5. Do you think there is any speculation, or juggling, with our produce at Home by the dealers in butter?—Yes, there is a certain amount, but I do not think there is as much as is sometimes reported. No doubt, however, there is a good deal of speculation. There are certain firms who are recognized as speculative houses. There are others who do not speculate, but buy the full season requirements from the British dominions. There are a certain number of houses that are recognized to be speculative houses, and periodically they put their heads together and push the market down in different stocks, and sell them when the market rises. Those people handle consignments as well as purchasing. On a falling market they sell consignment stock, and on a rising market they sell their own, and take the profit. That is only human nature.

6. With regard to the Control Bill, you reckon if we controlled the whole matter we would get far better results than under the present system?—Not the slightest doubt about it. To be quite frank, there are a great many New Zealand companies—small co-operative concerns—that are marketing stuff they do not know anything about, but their own directors do not think so. They pit their brains against the men in Tooley Street, and they invariably lose by the sale. Occasionally they might win, but when they lose they drop down the price at the other end on New Zealand goods.

7. *Mr. Burnett.*] You have fifty factories; are they all in favour of this Control Bill?—As far as I know, yes, they are. There have been resolutions passed all over the district. We have two hundred committees, and the great bulk of them have passed resolutions endorsing the action of the directors.

8. Can you produce evidence to show that the great mass of the suppliers are in favour of the Bill?—Yes. I have personally addressed many meetings. I had an assistant who has been addressing meetings for the last three months, and at every meeting the question was put, and I do not know of one occasion where an adverse resolution was passed. We held meetings in every district.

9. What percentage of suppliers would be in favour?—Ninety per cent.

10. You are prepared to face the position with that backing?—Absolutely.

11. *Mr. Masters.*] Do you agree with Mr. Hine that the present method of distribution through Tooley Street should not be interfered with?—I do. We cannot do better than market through Tooley Street, but we must control Tooley Street and have some say. The merchants of Tooley Street realize we are entitled to some say in the marketing. I have discussed the matter with all the leading men there, and they agree without exception that it is quite a fair thing that we should have some voice—some say in the final sale of our goods.

12. You have nothing against Tooley Street?—Absolutely nothing. As merchants they are far better than the produce-merchants in other parts of the world. They are the most honourable set of men in any country. Of course there are tricks in trade, and certain things are done in Tooley Street that one recognizes should not be done, but I suppose they are not exceptional. I have no grudge against them, because we become accustomed to these little things, and nothing is thought of them. As a rule the Tooley Street merchants are a very capable and respected set of men, who conduct their business in a very able manner indeed.

13. You remember that at New Plymouth you likened them to horse-dealers?—Yes, and I also said that there are a certain number of merchants in Tooley Street who are too sharp for the producers in New Zealand.

14. Judging by your remark at New Plymouth they are not all straight, then?—Not all of them, but the bulk are. Compared with any body of produce-merchants in other parts of the world they will be found to compare very favourably indeed.

15. What are you paying out for butterfat?—From 1s. 6d. to 1s. 10½d.

16. That is a wide margin. What does your factory pay out on the average?—On butter we will pay approximately 1s. 6d., and cheese will run, according to the brand of factory, and name, up to 1s. 10½d.

17. You appear to have organized your concern very fully, and a great deal more so than any other factory in New Zealand. If your butter-factories are paying out 1s. 6d. how do you account for the fact that small dairy factories are paying out 1s. 8½d.?—If they have been doing that they have been paying 6d. more than the butter is worth here. Butter sold at 1s. 8½d. f.o.b. on consignment would realize only 1s. 1d. here at one time.

18. The factory represented by Mr. Hine is paying out this season over 1s. 8½d. The factory represented by Mr. Corrigan is paying out 1s. 7½d. Neither of those factories has organized its concerns in the manner in which you have, and I am advised that instead of your organization having control of one-third of the butter of New Zealand they are not able to pay out as much as the other two factories I refer to can?—You know very little about it. You cannot take the payment for any one term. My best answer is another question: What did those factories pay last year?

19. Is your average pay-out for the last three months more than the average pay-out last year for the same period by the dairy factories in Taranaki?—I believe it is the highest in New Zealand. Taking Auckland—I do not know about Taranaki—I believe it can be proved that taking the returns over a period of years we pay 1d. higher than the next best butter; and on cheese we pay the highest price also.

20. The year before last the factories I mention paid out 2s. 11½d. for butterfat: do you think you have done any better than that?—It is an excellent return; but did they make cheese?

21. Butter?—I have not seen their figures.

22. I am prepared to stand by the figures given last year—1s. 8d.: do you do any better than that?—If they paid more than we did they have beaten the market in Tooley Street, and, as you know, every authority says that Tooley Street never loses.

23. These figures were gained by selling in a small way only. The whole thing was done on consignment: is that not so?—Those prices were not realized by consignment.

24. Those prices were for butter sold on consignment?—They were not; it is impossible.

25. I understand they were?—I know they were not. They were made by speculation.

26. But the prices were received—that is the point?—I do not deny that.

27. Are the whole of the factories in your district in favour of the pool?—Yes.

28. Is Matamata in your district?—Yes.

29. Have the Matamata shareholders endorsed the pool?—They were given an opportunity of objecting and they have not done so.

30. Is it not the fact that a meeting of the shareholders of Matamata have opposed the Bill?—It was not a representative meeting. It was confined to those who were not in favour of it, and I did not know anything at all about it.

31. It was a meeting called for the benefit of the shareholders, who passed a resolution opposing the Bill: is that not so?—Do you not think it was the directors of the Glaxo people, who have the proprietary interest?

32. I do not know, but is what I state the fact?—I say the settlers in that district are in favour of the Bill.

33. You told us just now that Matamata has not objected to the Bill: is that correct?—I say they are in favour of it.

34. There is no resolution to that effect, is there?—It was not a representative meeting.

35. Then a resolution passed at a meeting of shareholders does not represent the voice of those shareholders?—I am satisfied that it does not represent our shareholders at Matamata. I have had a meeting there within the last fortnight.

36. These committees you refer to—what are they?—Suppliers' committees.

37. Are they just like directors?—No, they represent the suppliers and are elected by them.

38. Then the shareholders themselves do not meet and discuss this question: it is these committees who have the meetings?—The shareholders have met in every district.

39. To all intents they are advisory committees of the main organization on the lines of the directors in a small factory?—That is the idea. Every year the farmers in each district meet and the committees are elected, and practically the whole of the shareholders in that district are present. A representative of our company addresses the settlers and puts the matter before them, and this proposal has been endorsed.

40. These committees are elected in a similar manner to the directors, only they have not the same power: is that not so?—They are elected on the votes of those owning shares.

41. When they are elected they are not elected on the policy of whether or not they are in favour of the Bill, but to advise you on general matters in connection with the administration of the branch factories?—They are elected to represent the settlers, and to attend to all matters pertaining to the industry.

42. Still, the shareholders themselves have not been called together to discuss the question?—Yes, they have.

43. In each centre?—Yes; the question of the dairy pool has been submitted to practically every meeting throughout the Auckland District called for the purpose of discussing dairy matters, and the question has been dealt with most exhaustively.

44. You have taken the resolution for and against the Bill at all these meetings?—Not in every case, but in nearly every one.

45. So that you would know who are in favour or not?—I think that 90 per cent. of them are. I know they are all the time, in fact.

46. *Hon. Mr. Ngata.*] You said that you wish to hold over supplies in order to some extent the supplies in London. Have you gone into the question of the expense entailed by holding over supplies?—Last year on holding over we made approximately £50,000 on butter, which amount was returned to our people.

47. Having satisfied interest charges, &c.?—Yes, the interest is charged. We pay 3 per cent., bank-rate interest, in London.

48. Mr. Maxwell said something on the matter of depreciation and shrinkage: what has been the experience of your company in that connection?—We have not lost a shilling for shrinkage for the last two years. The butter is put up in boxes of 56 lb. to the box, and shrinkage is allowed for.

49. Is there any organization in existence now for assisting in connection with freights, and also for regulating supplies and shipments—generally to assist the shipping companies in that direction?—Not a specific organization. The National Dairy Association's committee on behalf of the industry have done this work voluntarily. They have no legal standing in any way. They make contracts on behalf of the industry, but there is no compulsion on any factory to come in when certain arrangements are made regarding shipping by contract. The fact is that the shipments have not been regular, to my way of thinking. I do not think they will be until arrangements are made under which the whole of the produce in the freezing-stores of New Zealand is cleared not less than once a month. When the supplies are regularly arranged for in this way the possibility of erratic shipment will be overcome.

50. *Mr. Field.*] The storage will not be a serious matter, will it?—The difficulty about regular supplies, if overcome, should far and away counteract any small increased store charges in London.

51. Do your factories in the main approve of the Bill as it stands?—They would like to see a different system, but they are prepared to support it. We believe in compulsion.

52. *Mr. Forbes.*] You think that if this Board is set up with that one authority handling the whole produce of New Zealand you would be better off under that system than under your own?—Yes. We have our own organization, we have established some measure of control, and we think it will be better for the industry if the whole of New Zealand is brought under a similar system.

53. Will it not depend on the personnel of the Board if you want to do better, and their satisfactory handling of the whole of the dairy produce of New Zealand?—I say so because there is always the possibility that they will be able to make some considerable improvement.

54. You think it would be possible to give the Board full control, as it were, and that such pressure will be brought upon Tooley Street as to obtain for us a better price for our butter?—I do not think that, but I do think that we can get a sufficient number of intelligent men in the industry to come to the front to see that their produce is at stake. The difficulty is to get the people to take a national interest in the affairs of the country, because they have nothing at stake. The National Dairy Association did not receive the support it should from the best men; they had very little official power. If the various companies are going to place their produce in the hands of a Board composed of the best men in the industry, and who are vitally interested in it, and who will take a part in the business, the proposal should be a great success.

55. You do not think it is possible for the Board to undertake the marketing entirely?—No, it cannot be done. I believe a Board is absolutely necessary, as you cannot establish control without it.

56. If you gave them the power you might get a Board that would try to do it, and they might possibly make a mess of it?—I am satisfied the Board would never do anything that would seriously affect themselves, as they are going to lose more than anybody else.

57. Although they may do it with the best intentions?—I do not think they would.

58. You know, of course, that a well-meaning person often causes a great deal of trouble?—Yes; but we represent a quarter of the stuff exported, and we are prepared to hand it over to a Board.

59. And you are prepared to hand it over to a Board to do the business for you?—Yes.

60. *Mr. Masters.*] Is it the intention, or would it be wise, under a Dairy-produce Pool Bill, to do away with the individual brands of the butter?—That is entirely a matter for this Committee, but my opinion is—we have come to no decision on the point—that it should be settled by the Board when they get to work. Personally, I think we should have a national brand, all other brands being a waste of time. If we grade the butter in three or four qualities, allowing the brand to carry the quality, we could then go in for a system of national advertising and spend from £10,000 to £20,000 on boosting New Zealand butter. At present we advertise some individual brand that half the time is not available to the public.

HERBERT BOND examined. (No. 9.)

1. *The Chairman.*] Do you wish to make a statement?—Yes. I am a British subject, born in England; went to Australia first, and then landed here. I have had about twenty years' experience as a dairy-farmer. I represent the Baines Dairy Company, the Mangatānoka Dairy Company, the Manawatu Reliance Company, the Oroua Downs Dairy Company, the Mangawhata Dairy Company, and the Tiakitahuna Dairy Company.

2. *Mr. Field.*] What about Rangiotu Company?—There is not a decided opinion there. Two directors were for the Bill and two against it. The other is the secretary of an organization I am chairman of, and he is sitting on a fence. There has been no organization in the Manawatu.

3. *The Chairman.*] What do you wish to give evidence about?—I, a British subject, have been accused of having been bought by Tooley Street. I am as honourable a man as there is in New Zealand. I can quote the statement just made, because Mr. Grounds in his Palmerston address said this: "For years they had been groping in the dark; he knew that a fighting-fund had been set up to combat this latest step in the co-operative movement. He did not blame these people; they were simply fighting for their own interests." I take it I am one of the people Mr. Grounds "did not blame." I have been paddling my own canoe since I was eleven years of age, and I claim the right of a Britisher to deal with my stuff as I like, and that is in the way I have been doing hitherto. About ten years ago I made my farm a freehold under the law passed by the Massey Government. I sold it over eight years ago. Last month I received assessment for land-tax as the lessor of that farm. That is an object-lesson as to how the Government manages its business.

4. We are not dealing with the question of Government administration, and are prepared to accept the statement that you are representing the factories mentioned. What have you to say in opposition to the Bill?—Well, here is a cutting I took out of a paper twelve months ago, of a report of the chairman of the finance committee of the Kairanga Dairy Company. He said this: "One of the heaviest items, for instance, was the cost of cheese-crates, the charge for which adds 1d. to every pound of cheese, amounting to practically £200 a month. Another heavy item was freight to Wellington, as the Government practically doubled their rates and were now charging £1 16s. a ton. With freight and coal, &c., the company's freight bill was anything between £250 and £300 a month. Coal accounted for about £120 a month, as the company's three factories practically required a ton a day. Then there was colouring, rennet, bandages, &c., all of which were still selling at high rates and on which it was impossible to economize. By the time it reached the grader's store in Wellington every pound of cheese cost practically 2d., while the cost of freight, commission, insurance, &c., accounted for another 2d." That refers to butterfat, and is quite true. Mr. Grounds, referring to the opposition to the Bill, said this only recently: "I have submitted to Mr. Buckleton, who was chairman of the Associated Banks when the first conversation took place, a verbatim report of my remarks upon finance at Christchurch. These were substantially the same as made at other centres. He authorizes me to say that every word was fully justified by our conversations. I have now seen Mr. Cox, the present chairman of the Associated Banks, and have his authority for saying that if we are going to work with Tooley Street houses there should be no difficulty about finance." I have also a report I would like to read here dealing with the replies by representatives of shipping lines as to complaints by dairy producers about the want of shipping facilities during the past season. It says: "As considerable publicity has been given to complaints by dairy producers regarding shipping facilities during the past season, the representatives of the shipping lines have given answers to the following questions: (1.) Who arranged the shipment of dairy-produce, and on what basis is it arranged?—For many years past it has been arranged under contract between the shipping companies and the North and South Island dairy associations. (2.) Have the shipping companies been able to provide space for the dairy associations requirements throughout the season?—Yes, with the exception of February, which was the peak of the season for refrigerated cargo, when dairy-produce received an equitable proportion of the space. More space for dairy-produce could have been provided had longer notice been received by the shipping companies." That notice ought to have been given by the National Dairy Association. The report goes on to say: "The quantity of cheese available fell short of the applications by 189,000 crates, and ships were consequently short-loaded. (5.) Were there any special circumstances outside the shipping companies' control which contributed to any delay in shipment?—The delays in shipping in New Zealand this season have been exceptional on account of the wet season. The limitation of hours of work prevent time being made up by working exceptional overtime, such as all-night work, and ships have frequently been held up over week-ends in consequence, besides which there were delays through bad weather at roadstead ports. There were several exceptional delays—namely, the 'Tekoa' and 'Maimoa' at Auckland for a week each owing to a dispute between the New Zealand seller and the American purchaser of dairy-produce. (6.) Can you say if the manner in which dairy-produce was shipped resulted in a glut in Home markets and consequent fall in prices? The shipping companies in reply to this can only say that the regulation of the size of shipments from this end is in the hands of the dairy associations, and as the slump in London took place in April, if more space had been available for February shipment the arrivals in April would have been greater and might have caused a greater fall in prices. A position that has not been made clear to dairy producers is, however, we understand, an economic one. Owing to financial conditions in Germany, Danish dairy shippers concentrated on the English market, and, we are led to believe, shipped fully 90 per cent. of their output to the United Kingdom, on account of the loss of their German market." I maintain, sir, that the whole crux of the position is the shipping; and we do not want this proposed legislation, because we have managed very well for ourselves the last twenty-five years, and there is just as good produce being turned out to-day as there was twenty-five years ago. I admit that the farmers have made a terrible muddle of their co-operative business during the last few years. They have had too much money, and they did not know how to spend it. There was one gentleman interested as a speculator who had a lot of butter on offer. He went to the National Dairy Association and said to the secretary, "Can I get a ship for this butter if I buy this month?" "Oh, yes, easily," said the secretary. The month went by, and he bought the butter on that understanding, but he found his butter was not being taken away. So he went around to the office again and inquired of the clerk about his shipment, and received the reply, "There is no room; ship filled up." Then he

went to the Shaw, Savill, and Albion Company, the shipowners. He asked them this question: "Have you got a full cargo?" They replied, "No, plenty of room." "Oh," he said, "I was told there was not." They said, "There is any amount of room for your lot, and a lot more besides." He said he would see about it, and went back to the National Dairy Association's secretary again and told him what Shaw, Savill, had said—that they had got plenty of room in the ship. The secretary replied, "What business have you to ship your stuff by that company? We are the shippers." He was reluctantly compelled to admit their claim, and said in the end, "I want you to ship it." This is a matter we should make it our business to see about. This buyer got the butter on board, and it went Home, and instead of having a loss of 2d. he gained 1d. on it. Four years ago there was a great cry for the farmers to band together and buy ships and run their own fleet. I will in this connection just read a little extract from a paper to show what has happened to the Commonwealth line. It says this: "It will be no pleasant task for Mr. Bruce to explain the shipping line balance-sheet (says the *Herald*). It is made up to June 30 of last year, and instead of there having been a profit for the financial year under review, a loss exceeding £1,000,000 will have to be announced." Thank goodness we farmers did not go in for such an undertaking as that. I object to Government interference of any kind with anything I have to sell, and for this reason: It will be remembered that years ago, in Mr. Seddon's time, after the freezing-works came into operation, there was a great cry about the killing of the ewe lambs. It was said there would be no ewes left, and the late Mr. Seddon proposed to put a law on the statute-book to stop the killing of ewe lambs, but the idea broke down because there was such an outcry against it. I do not want the State to control anything I have to do with in the producing line or the selling thereof. Mr. Corrigan said at Palmerston, "Approve of the skeleton of the Bill and we shall fill it up in the future." But I would sooner see him take the skeleton and pitch it into the harbour and sink it, as I have no faith in anything of that kind. I know all about putting laws on the statute-book. How long did it take to get the sheep-tax off the statute-book? It filled its purpose, and lasted for years, and the farmers asked in vain for its removal. They got it removed at last. I wish to put in the balance-sheet of the Ballance Co-operative Dairy Company for the year ended 30th June, 1905. This will prove that I am speaking the truth, and it is the first factory I supplied in 1904. I submit that we farmers are not being as badly hit as we might be. In the National Dairy Association's agenda last year there was a remit standing in the name of the Koromiko Dairy Company to this effect: "That cash discounts be eliminated." There was a custom in Tooley Street to deduct 1 per cent. on all cash received by them within seven days. The secretary of the Koromiko Company wrote to the National Dairy Association to the above effect. There was a meeting at Palmerston North about twelve months ago when the question was discussed, but it was rejected. I think only thirty farmers out of three hundred voted for it. They could have saved 1 per cent. on the total value of the butterfat exported, if they could have got Tooley Street to agree to it, at the one stroke. Our factory has this year an output of 225 tons, and under the proposals of this Bill we have to pay on butter $\frac{1}{4}$ d. per pound, and on cheese $\frac{1}{18}$ d. On the 225 tons it would amount to 11s. 8d. a ton, or £135 5s. 8d. over and above what they are going to pay Tooley Street, because the farmers cannot do without Tooley Street. They are honourable men—they are Englishmen, the same as myself—and I always defend an Englishman if I find him a good one. I will now deal with the $\frac{1}{18}$ d. on cheese. This is a butter Bill entirely, and we cheese-men have no right to be represented in connection with it. We have no business to be working for it. But I say that if we add $\frac{1}{18}$ d. per pound on to cheese we would be making a grand contribution to the butter-man's industry, and as a fellow-farmer I would be quite willing to do that—to give them a voluntary contribution of $\frac{1}{18}$ d. on all cheese exported from this Dominion, instead of being taxed, as proposed, for more than a $\frac{1}{4}$ d. on butterfat. Here is the average weight per pound of butterfat in cheese made from the following factories: Manawatu Co-operative Dairy Company, 2.63 lb. cheese to 1 lb. butterfat; Bainesse, 1922, 2.66 lb. cheese to 1 lb. butterfat; Bainesse, 1923, 2.68 lb. cheese to 1 lb. butterfat; Mangawhata, 2.56 lb. cheese to 1 lb. butterfat; Kuku, 2.64 lb. cheese to 1 lb. butterfat; Kairanga, 2.63 lb. cheese to 1 lb. butterfat. In conclusion, I maintain that by making the proposed contribution of $\frac{1}{18}$ d. they have asked us to pay an unreasonable tax for something we have no reason to be taxed on.

WEDNESDAY, 25TH JULY, 1923.

HERBERT BOND'S examination resumed. (No. 9A.)

1. *The Chairman.*] Had you finished giving your evidence when we adjourned on Friday?—No.
2. Then we will hear you further?—Gentlemen, I would call your attention to clause 11 of the Bill, which provides, "For the purpose of enabling the Board effectively to control the export, sale, and distribution of New Zealand dairy-produce the Governor-General may, acting under the powers conferred on him by the Customs Act, 1913, and its amendments, prohibit the export from New Zealand of any dairy-produce save in accordance with a license to be issued by the Board, or to be issued by the Minister of Agriculture subject to such conditions and restrictions as may be approved by the Board." Then, in paragraph (2) of subclause (1) of clause 13 of the Bill it says: "Every contract for the carriage of dairy-produce by sea made otherwise than in conformity with this section shall be void." And paragraph (2) continues: "Every person other than the Board who, after the constitution of the Board, or after such later date as aforesaid, exports any dairy-produce from New Zealand shall, on making entry therefor under the Customs Acts and before such entry has been passed, produce to the Collector or other officer of Customs sufficient evidence to satisfy him that the contract for the shipment of that dairy-produce has been approved by the Board." It seems quite clear to my mind that this takes out of our hands the whole of the handling of our products. We

will have absolutely done with it after it leaves our factories, and, as has been said, we are called upon to do the dirty work while some highly-paid officials will be called upon to do the pleasant work. I think we poor farmers have done fairly well in the past. I can produce a balance-sheet where we got 8d. a pound; but now by our management of the industry we have been getting far more than that. I have here a circular from the Dairy-farmers' Union, Waikato, issued in 1918, and brought before the dairy farmers in my district, which says, "Our own Government have taken what butter is left in the Dominion and is selling it at 3d. per pound below cost of production to the consumer. Are we getting fair play? Is it right that one section of the community should be penalized in this way?" That was under control when we were getting good payable prices. Now we are going to have this industry taken from our hands, and we do not know what will be the consequence. I would call your attention to the provisions of clause 16 (e), under which the moneys received by the Board are to be paid into a reserve fund to enable the Board to carry on its operations. I will not deal with that point at present any further, but you can look it up for yourselves. Now I have a few notes to deal with. I would first call your attention to Mr. Grounds's statement in the *Dairy Farmers Advocate*, where he says that at Palmerston North 105 voted for the Bill and 52 against it. My count recorded at Palmerston was 101 for the Bill and 50 against it. He is trying to get many that he is not entitled to. It may be a miscount on his part. He states, "The conference at Palmerston North was largely made up of delegates from Taranaki, Wellington, and Hawke's Bay. Of the three factories that voted against us at North Auckland, one is now in favour. One factory that voted against the Bill at Dunedin is now for it. There are indications also that other factories in Taranaki will abandon their initial opposition to the Bill." I have proof positive that Mr. Grounds is going back, and back badly. Take one factory in my district. The chairman of that factory wants control because he is hard "up against it," and he will always be, because he cannot farm. I have seen three of the directors out of the five, and those three gave me permission to record their votes against the Bill. That factory recorded its vote for the Bill at Palmerston North, because the chairman of directors was using the big stick. He was supposed to give me authority to oppose the Bill, but he has not done it. We farmers have been let in for a lot of expense. I have never spent as much time in Wellington as on this occasion. Now, I will go on to deal with the National Dairy Association. I think that had they performed the functions for which they were put there I would not have to be here to-day. I see here the secretary of the National Dairy Association. We have paid our subscriptions this year to that association. I do not say we have not had good help from it, and I do not say anything against the secretary, but you see him here working for the Council and being paid by us, the opposition. Then we have Mr. Ellison, who was connected with the C.W.S., and he tried to push it down our throats to join up with the wholesale society. Any factory has the right of joining the co-operative marketing association, and they have been rather badly hit who did. Now, I put two and two together and see that they want to draw us under it. We are doing better than the co-operative association to-day. Our factory had something like £400 to refund, and the Kuku factory (same output) they had something like £3,000 to refund in 1921-22. That must show that it has not been the success it should be. Then there is Mr. Ellison, the National Dairy Association's manager at Home: he gets £750 from the National Dairy Association and £750 from the Marketing Association. It has been said that "a man cannot serve two masters." He was successful, no doubt, in bringing about the marketing co-operation association, but what about us who turned it down with an overwhelming majority? It is the business of the National Dairy Association to push that on to us? We already had enough on our shoulders to carry. I have to be very canny as to how I use my shillings. Mr. Grounds said at Palmerston North that, like Watson's whisky, he was still going strong; but I prefer Buchanan's, because I believe in going canny, and I like a wee sleep before committing myself. I repeat that I have followed this proposed Dairy-produce Export Control Bill, and I have known the mother of this proposed Bill—that is Mr. Goodfellow. I heard him in Palmerston some eighteen months ago, but the father I only met on the 20th June—Mr. Grounds; and I am sorely afraid Adam, as of yore, fell a victim to Eve's superior fascination. I here come to Mr. P. J. Small, the president of the Dairy-farmers' Union at Palmerston North. This body of organized farmers has declared in favour of the Dairy Control Bill. This is a newspaper cutting: "Commenting on the remarks made by Mr. P. J. Small, who presided at this week's conference in Palmerston North of representatives of dairy factories who discussed the herd-testing question and the bacon industry, a well-known dairy-farmer in the Pohangina district informed a *Standard* reporter that the chairman's remarks apropos of the deplorable condition of New Zealand herds at the present time would be regarded by all dairymen with the best interests of the industry at heart as being most opportune. 'There is no doubt about it,' said our informant, 'the position is very serious, and something will have to be done if we are to improve our output.' Discussing the question of the proposed dairy pool, he scouted the possibility of this proving as beneficial as its advocates said it would be." It goes on to say that if you want to boost the market you must keep a regular make of cheese and butter. Now, the Dairy Produce Bill does not say anything about the making but only about the disposing of it. Here is another quotation: "The New Zealand dairy-farmer has now absolute control of the British markets for dairy-produce at any time, and he can put the price of butter down to 9d. retail, or he can put the price of cheese up to 2s. wholesale. This position has not come about through any magic or witchcraft, but it is the result of the enormous increase in the output from this country. So, if the producers choose to make all their milk into butter it would be retailing in the Old Country at 8d. or 9d. per pound, and there would be an end of the margarine business, and no more half a million profits to be divided amongst the shareholders of the big imitation-butter companies. So it is with cheese: if we decided that only cheese should be manufactured from our milk, Canada would perforce have to get out of the business, for she could not produce butterfat anything like so cheaply as the farmer in this Dominion can. Our big supplies would completely

smother those from the larger Dominion. In a word, then, we have absolute and complete control without waiting for the Dairy Pool Bill. It is more than likely that this fact has not yet soaked into the minds of all the producers of dairy-products, for it is as unique as it is unexpected. The idea of a pool was to get control, but we have that already, and the farmers have the whole thing in their own hands, and if they are so desirous of getting rid of the local agent all they have to do is to cable to England to the different firms saying that they are going to deal direct and save the commission paid to the men here. The alternative, of course, would be no business for the firms who refused the new condition of things." My own factory is in a satisfactory financial position, but others around me are not in that good position, and the Associated Banks have turned them down when they have asked for assistance, although the farmers' stability was beyond question. And, gentlemen, the same Tooley Street horse-dealers lent them the balance over the bank advance, and at 3 per cent. I would draw your attention to the handsome trophies given by Tooley Street merchants to the different produce shows for competition between factories to encourage the raising of the standard of this Dominion's produce. I have here an article from *Truth*: "The Meat Board may be summed up as an inefficient, expensive, wasteful, and extravagant excrescence on the community." It goes on to say about the Meat Board spending a great deal of money: one man gets £2,750 a year. He is not the only one. I understand that out of an expenditure of £18,000 £14,000 has been expended in salaries and travelling-expenses. There is one good thing I have noticed. I think it is Mr. Forsyth or Mr. Jessep who is doing good work in looking into some business for the Packing Company. Some two years ago the Packing Company got very busy and came to us farmers and showed that we had been very unpatriotic in not supporting the Packing Company. They appealed to me, and I put some money into it, and I am now looking for that money. I have got a letter threatening me for the balance, but I see that there is a Bill before Parliament providing for the factories to be relieved of their liability to the Packing Company. I hope that will be done and relieve me too. For the Meat Control Bill great things were claimed, but, as that paper *Truth* says, the good things would have come in due course. Then we have been asking the Government for some years to reduce the freight on frozen meat on the railways—or at least the pastoralists have—and when the Meat Control Bill was passed a reduction in freights was made—£22,000—that when our railways were losing £3,000 a day. Now, coming to the wool business, there has been no control over that, and some three years ago the woolmen at Masterton were right "down and out," and bankruptcy was staring them in the face. Well, to-day where are they? I had a conversation with one of the biggest wool-men on the coast, and he told me that on one parcel of wool he received the biggest price he had ever received in New Zealand—even during the commandeering years. That shows how the wool business has recovered itself. We find that there is something like £12,000,000 worth of wool sold from this Dominion. Gentlemen, I maintain, and it has been claimed again and again by the Right Hon. Mr. Massey, that supply and demand must guide and govern the world's markets. Gentlemen, I was offered a seat on the Dairy Council last Thursday night at about 7 p.m. My reply was emphatically "No, sir, never." We have had no quarrel with Tooley Street. They are gentlemen in their vocations of life. We sold cheese ten days off London without consulting our agents at all, and who had made 90 per cent. advances on store warrants. That means that we had an unfettered agreement and that we could dispose of our products as we liked. We sold the first consignment at 10½d., a record; we sold it a bit too cheap, but still it was a paying proposition to us, and some of our settlers were hard up and we were making sure of a "bird in the hand." We sold a further shipment for 10d. per pound, and the same firm was still financing us. In two weeks cheese rose from 8½d. to 9d., 9½d., and 10d. We sold f.o.b. Last year I lost £900 through consigning; this year I have had my way, and I got a little bit back. The chairman of directors came to me and said, "What about selling?" I said I would like to see a little bit more, and that we should hang on till we got 10½d. or 11d.; but he said he thought we would sell. In another fortnight we could have got 12½d. f.o.b. Another cheese-factory discussed selling at 1s. The secretary pointed out where the produce was worth 1s. 3d. in the London market, but then we were only a month off that London market, and they only got 9d. for it. That is the result of being too greedy and trying to scrape the copper off the penny. We farmers have been too greedy. I have been associated in the butter business and I have done dealing, and it has always been my policy to accept a price when I thought it would pay me, and to let somebody else make a profit if they could. Gentlemen, we have been dubbed agitators. I submit to your well-balanced and earnest consideration and good judgment that we are here doing a duty not only to ourselves but to our children. It is on record, Sir George, that during England's feudal wars the enemy never broke through the gates of Lincoln Hill, and I am proud of the fact that my ancestors were responsible for throwing the tea into the Boston Harbour. I have a duty to perform, and I pray the Most High to give me strength according to my conscience to do it straightly and uprightly.

3. *Mr. Forbes.*] You feel very strongly about this matter, Mr. Bond?—I do.

4. You are quite satisfied that no good can come to you and your fellow-dairymen in the industry through this control Bill?—I stand here and say that I am afraid that this experiment will be the breaking-up of the industry that I have helped to build for the past nineteen years.

5. Do you think that some improvement can be made in the matter of the trade involved in connection with the industry?—There is nothing that cannot be improved.

6. Would you be willing that this Board should control the matter of shipping?—It is not a democratic way of dealing with anything.

7. You would favour something being done—you are only opposed to the marketing?—I am opposed to the Bill, lock, stock, and barrel, and tell you to put it into the harbour and sink it.

8. *Mr. Masters.*] Supposing this Bill is to become law, Mr. Bond, do you think the present system of control satisfactory under the Bill?—I do not. We have the National Dairy Association, and it has taken nine years to put them out of office.

9. But in regard to the system of election of members to the Board, would you prefer that the Board should be elected by the vote of all the farmers supplying the dairy factories?—Yes, certainly.

10. Who offered you a seat on the Dairy Council?—I would prefer not to answer that question, but I will give the name to the Chairman if he wishes.

11. *Mr. Hawken.*] You remarked that wool is not being controlled: are you not aware that wool is being controlled?—I am aware that there is no compulsory control, such as you are trying to put on the dairy-produce.

12. Is it not a fact that wool could not have been shipped or sold without the consent of the committee?—Well, I am not quite certain of that. I have not been in the wool business these last three years. I just took it from this paper which I have read.

13. Then of course you know that in Australia there is a committee that controls all the surplus wool and has done so for the last three years?—Yes, sir, but there is a demand for that wool. You see the ladies all knitting, and there is a demand in Europe. There is indeed a shortage of wool throughout the world. In America they were asking Mr. Ford to buy up a lot of wheat, and there are people advocating that people should eat pure bread, and in that way they are trying to make a demand.

14. There were 2,800,000 bales of surplus wool: if that wool had been thrown on the market by the producers do you think the price would have gone up?—I do not know. We made bigish shipments of butter and the price gradually rose, so that the committee must not take all the credit for the rise in the price of wool.

15. *Mr. Burnett.*] You stated that this Dairy-produce Control Bill would take the control of the produce out of the hands of the suppliers?—Yes.

16. Why, that is the very essence of the Bill: it gives the control of the industry to those who are directly responsible for its produce: how do you square that?—I square that in this way: that if I were a supplier I would get no say at all. The chairman of directors might get a say in appointing these gentlemen to the Board. I have put a case to you where one man was running the factory with a big stick. We have not any say in the appointment of that Board—we as individual suppliers have no say.

17. I do not think you have studied the Bill, Mr. Bond?—Well, I have studied life fairly well.

18. You also made the statement that wool was not controlled: do you not realize the good work that B.A.W.R.A. has done for the Australian clips?—According to the different discussions in the Press it is questionable as to whether B.A.W.R.A. has done what has been claimed for it.

19. But the great majority of wool-growers of this country and of Australia are agreed that that Board did a tremendous amount of good work in dealing with the huge accumulated surplus of wool?—Would it not be possible for me to ship my clip Home if I had one?

20. No?—I mean shipping one Home to England.

21. You could, but you would have to await your time—it is regulated?—(No answer.)

22. *Mr. Langstone.*] You do not believe in majority rule?—Yes.

23. But if the majority of the dairy-farmers say that they are in favour of the Bill, and you being in the minority, would you agree that they should have the Bill?—Yes; provided it is done in a democratic way, and provided that the majority of the shareholders give their votes that way. I must submit to the majority; but it is hard lines on me as a Britisher to be overruled in connection with the handling of my own produce. If I am not getting as much as you, Mr. Langstone, you should pass over your profits for your day's work.

24. All British institutions have been built up on majority rule?—Yes, I know.

25. *Mr. Masters.*] I want to follow up a question asked by Mr. Burnett, as I do not think he gave the witness the opportunity to make the point clear. You stated that you object to the control of the produce being taken out of the hands of the farmers, and Mr. Burnett said that the essence of the Bill was placing the control in the hands of the farmers: is not the essence of the Bill to place the control of the produce in the hands of certain individuals on behalf of the farmers, and not in the hands of the dairy factories themselves?—I have been told that I have misread the Bill. I am not a solicitor.

26. Under clause 15, have you noticed this: "Without limiting any authority specifically conferred on the Board with respect to any dairy-produce, the Board shall have full authority to make such arrangements and give such directions as it thinks proper for the following matters: (a) For the handling, pooling, and storage of dairy-produce; (b) for the shipment of such dairy-produce on such terms and in such quantities as it thinks fit; (c) for the sale and disposal of dairy-produce on such terms as it thinks advisable; (d) for the insurance against loss of any such dairy-produce either in New Zealand or in transit from New Zealand and until disposed of?—I have studied the Bill a great deal. If the Bill is placed on the statute-book of New Zealand we will have to continue to do the dirty work, but will not have any say in the handling of our products.

27. You are quite satisfied that the dairy factories are losing all control of their produce?—Yes.

28. *Mr. Field.*] You are aware that on the Board there are to be nine producers' representatives and two representatives of the Government?—Quite aware.

29. Do you not think that is sufficient representation for the producers?—I do not think it is stated right. I should prefer not to have a Government man on the Board at all after we have built up the industry.

30. You think there would be too much Government control?—Yes.

APPENDIX.—THE PRODUCE POOLS.

[Extract from the *Manawatu Evening Standard*, 21st June, 1923.]

Financial authorities are inclined to look askance upon the projected dairy-produce and wool pools. In regard to the former, it is understood that the Government is not likely to proceed with the Dairy-produce Control Bill unless there is complete agreement upon the subject so far as the producers are concerned. While a majority favours compulsion, there exists a considerable minority averse to any interference by the State with the free marketing of the country's produce. There is, further, a disposition on the part of a section of the producers to question the

wisdom of their fellows in sanctioning the formation of the Meat Control Board, which has undertaken the control of the marketing of our surplus meat products. It is pointed out that, although the Board has been in existence for a considerable time, it has really accomplished very little. Extravagant claims, it is stated, have been made on its behalf. The shipping companies have made reductions in their freight charges, allegedly as the outcome of the pressure the Board brought to bear upon them. But these reductions, it is further stated, were overdue, and similar concessions were made at the same time in Australia. The meat companies are being taxed to provide the funds necessary for the upkeep of the Board, its income being about £20,000. Then it is pointed out that, since April, "mutton and lamb have fallen by 1d. to 1½d., and New Zealand beef is not even quoted on the London market, but there is nothing said by the Board, no explanation offered, no advice tendered." Following the establishment of the Meat Board prices advanced slightly, but the Board's critics say that the advances would have been made in any event as a result of the improved demand, and it is contended that "the Board can never control the meat-market; it cannot even regulate the shipments of meat." As a general principle the less interference there is with the commerce and trade of the country the better, but there may be circumstances under which trading can be regulated without disadvantage to the public. Combination between the producers on co-operative lines has admittedly proved their salvation in a financial sense, but, with it, there has hitherto been perfect freedom of action in the methods the co-operative companies have adopted, both for the marketing of produce and their trading methods, where they have engaged in trade. When it comes to pooling all the produce handled by these companies for export and the control passes into the hands of half a dozen directors, who become dependent upon the advice and business acumen of perhaps one man, a very different situation arises, and one that calls for careful consideration and much serious thought. While it may have rendered some useful service the Meat Control Board has still to justify its existence. However necessary State control may have proved during the war it cannot be regarded as either desirable or suitable for peace times. Sir Arthur Goldfinch, the governing director and chairman of B.A.W.R.A., has given it as his considered opinion that, whatever success may have attended State control in war time, "it offers no encouragement whatever to the renewal of such ventures in peace time. . . . Could State control be so applied as to increase the production of commodities? Would it conduce to the fairer distribution of commodities throughout the community? Would State control help us to avoid devastating disputes about rates of wages? Would State control do anything to prevent the horrible disturbance created by trade cycles, the succession of booms and slumps which hurt every class of the community, but are most hurtful to the classes who depend for their bread upon continuous employment, and who, through no fault of their own, may find themselves entirely destitute for long periods of time?" The answer to these questions may be found in the experience of Queensland, which has experimented more largely in the State control of industries than any other British country, and has a far larger percentage of unemployed than any of the other Australian States. The projected wool pool is objected to and condemned by financial authorities because (as they contend) it is "utterly impossible" for the "airy schemes" propounded by the would-be "State controllers" to work out as they desire. The contention is one which should be seriously considered and reviewed, in the light of the experience gained, and to be gained, from the operations of the Meat Control Board, which, as we have already said, has still to justify its existence. Legislative sanction must be obtained before further pools can be formed, and, as unanimity is required before the Government will proceed with the measure, and that is not yet forthcoming, it is scarcely possible that the Dairy Control Bill will be passed into law this session. An important factor in deciding the attitude of the Government will be the discussion which took place at yesterday's meeting of the National Dairy Association. After an interesting and instructive debate the meeting decided to accord its support to the Bill, and this, no doubt, will exercise an influence on members of Parliament even though some of the opponents of the Bill represent dairying districts. The supporters of compulsory pooling are largely influenced in their attitude by the fact that handling charges have, in recent years, substantially increased while deliveries to the English markets are irregular and, as a result of the conditions prevailing, it is believed the markets are more or less manipulated to the advantage of the wholesale dealers. Whether there is anything in this idea or not it is difficult for the layman at this distance to decide. No one can blame the dairymen for combining to handle their products to the best advantage; but differences of opinion occur when State aid through legislation is sought. There is no doubt but that the dairymen have a strong case; there are, however, grave doubts as to the wisdom of giving the leaders of the movement the statutory powers they are asking for unless there is a time limit to the compulsion or a means is provided whereby the dissolution of the pool can be secured without legislative sanction in the event of there being a sufficiently strong section of the dairying community desirous of securing the termination of the pool. While it is the duty of members of Parliament to facilitate by legislation the organization of our primary industries, they also are under an obligation to afford adequate protection to the rights of minorities engaged in those industries as well as to give due consideration to the public interests.

HERBERT EDWARD PACEY further examined. (No. 10.)

Witness: When I discontinued on Friday I was combating the report that the fluctuations in the prices of dairy-produce had to a serious extent been due to speculation and other forms of gambling. I submitted that the fluctuation was partly due to the supplies position not being understood owing to the dominant quantity having temporarily changed from the Northern Hemisphere to the Southern Hemisphere. I also represented that the fluctuations were partly due to dumping into Britain, due to marketing conditions in other countries being unfavourable; to increased production in Ireland, Sweden, and the Netherlands; and to financial and economic conditions. I submit that there is not any evidence that fluctuation has been due to improper practices, but rather to conditions beyond control. It has been represented that part of the trouble has been due to shipping conditions, and it is proposed to remedy those shipping conditions by a system of shipping-control. I do not think there is any objection to a Producers Board being formed to make shipping contracts and to supervise shipping, but I think that an attempt to exercise shipping-control or regulations under the conditions which are now before us would be hurtful rather than advantageous. Before the war we had regular loadings of dairy-produce, sailings at least once a fortnight, and if we can get back to those conditions it will do much to place the industry on a satisfactory foundation. The dairy business was not the only interest which was troubled owing to inadequate shipping during the war and during the reconstruction period. There has been considerable improvement already, and I am of opinion that the continuation of that improvement by a natural process will prove the remedy. At the same time, if it is thought that the appointment or election of a Producers Board to make the contracts would contribute to a more speedy solution of the difficulty, I should not have any objection to offer, but I think that that Board should endeavour to avoid the loading of the same boat at so many ports. In the past we have been collecting dairy-produce at many ports, some of the boats starting at Auckland and finishing at Dunedin. The result has been the occupation of the time of the ships collecting butter on the coast, and reducing

their capacity to deliver to England. It has been estimated that the ships would average about a trip and a half more per year if this difficulty could be overcome. I think that an attempt to hold up quantities of dairy-produce with a view to regulating our deliveries to the Old Country would increase our difficulties rather than minimize them, for the reason that a couple of months' notice to the shipping companies is necessary to enable them to make adequate provision. If during that couple of months marketing conditions should change, and bring about a desire to hold back shipments, it would be impossible for the shippers to keep their engagements with the shipping company, and that would confront the shipper with the possibility of penalty, or at any rate it would reduce the efficiency of the shipping organization, which would in itself be a very real penalty. On Friday and to-day I have referred to the reasons in support of the Bill, and have endeavoured to answer them—the good effect of the Meat-export Control Bill, the desire to get the same price as is obtained for Danish butter, the elimination of gambling in dairy-produce, to avoid fluctuations, and to deal with shipping. I submit that these as reasons in support of the Bill are fallacious. I should also like to represent to the Committee that the financial provisions of the Bill are inadequate. In the Meat Control Bill there is a provision that, following the exercise of control, the Government should give financial support to the meat industry; and I submit, if compulsion should ever be exercised in connection with the dairy industry, that Government support would become more urgently necessary than in the meat business, for the reason that the dairy business is mostly made up of small farmers who are more or less struggling, and inadequate financial provision would become a very serious embarrassment to a large number of the producers of the Dominion. I do not say that without Government financial support it would be impossible to organize a system of finance. To say that would not be correct; but it certainly is correct to say that the monthly advance to the producers of this Dominion in respect to their butterfat would be greatly reduced if the control should be exercised, and if the Board constituted under the Bill should attempt to finance through the Associated Banks only. The possibility of this position arising is not negligible. On Friday I referred to what appears to be rival factions amongst those who are seeking this Control Bill. Some of the factions are propounding a benevolent policy, others are declaring that Tooley Street should be entirely eliminated; and in the event of the latter faction assuming control and seeking to advance through the Associated Banks only, the ordinary banking rules would apply, Tooley Street credits would be eliminated, the individual credits of the dairy companies would not be available, and the result would be smaller advances—much smaller, I venture to say—and very great hardship to a large number of suppliers who have purchased land at high rates, and who would not be able to meet their interest charges if this position should arise. Further, under the Control Bill, I am of the opinion that there is at least as good a chance of the ultimate returns to the dairy-farmers being less rather than more. The dangers of the policy which it is proposed to follow are admittedly great. Control is in itself a sort of speculation, and if the speculation should turn out badly the dairy-farmer would suffer. Whatever the actual selling return, there would be deduction by way of export levy, reserve, and suchlike, and the result would likely be lower returns to the suppliers. There is no probability of the return being greater. Further, the passing of the Control Bill would eliminate financial assistance which has been open to the dairying industry of New Zealand from financial sources which have been available in the past. The biggest dairy company in New Zealand to-day became a co-operative institution as the result of the purchase of the business from the former proprietors on easy debenture terms and without any cash passing. The consideration of this financial facility was that the firm which put up the debentures was to have the selling of the goods under conditions which assured to the vendor company at least equal returns to those which were obtained by other vendors. Many other co-operative companies have been formed under similar conditions, while in times of stress financial assistance has been given which has been very greatly appreciated by the company which received it. This advantage would be eliminated if the extreme faction got possession under the Control Bill. I know of two recent propositions which were turned down owing to the uncertainty as to what the future holds, and the development of the industry has to that extent been retarded. I further deprecate the Bill on the grounds that the compulsory clause is not economically sound. A question was asked of Mr. Bond whether it is not a fair proposition that the majority should rule, and it was pointed out that British institutions had been built up on the rule of the majority. A student of history and economics would necessarily agree that that is substantially correct, but there has been in British institutions an underlying principle which has dominated even the consideration of majority rule, and that consideration has been the protection of life and property. This Bill, if it is enacted, may bring about the position that the property of thousands of persons in New Zealand might be commandeered by business rivals and handled more or less wisely. At any rate, the desire of an important section is that they should handle their own property, their own goods, and these do not think that a case has been established that the good to be derived by the industry would be a sufficient set-off for the departure from this well-established principle of respect of property rights. Even if the principle is benevolent, it is reminiscent of conditions in Russia, where some of the extreme policies which have characterized that country might be justified on the same grounds that they were well meant and were expected to contribute to the good of the whole. In the event of the extreme faction of the controllers gaining the ascendancy, and seeking to market their goods independently of the present established channels, it would bring havoc to the industry. Indeed, the uncertainty which has characterized the last few years has been a source of anxiety, and that anxiety should be stopped by the resumption of normal trading without any interference; and if the dairying industry of New Zealand does not have this advantage of established conditions we shall be confronted with the fact of antagonizing our customers, both wholesale and retail, and consumers, and that at a time when it is of the utmost

importance that we should have their cordial good will. We are confronted with a very large increase in the quantity of butter which will be manufactured; lower prices in the future are inevitable; and in aligning up to these conditions of greater competition it is of the utmost importance that we should be on good terms with our customers. I fear that the Bill, if passed, would interfere with those good terms; and if, in addition to the passing of the Bill, the extreme faction should gain the ascendancy, it is a positive certainty that much harm would result by the antagonizing of our customers. I claim, Mr. Chairman, to have had some experience in the manufacture and marketing of dairy-produce. I have been in the dairying industry since 1888: in that year I started as an office boy with the New Zealand Dairy Association, and I was with that association until 1919. In the interval I was a clerk, accountant, secretary, general manager, managing director, and chairman of directors, and had an intimate knowledge of the whole of the operations of the business, including the marketing, and I think I can claim to have been associated with the marketing of as much dairy-produce as any man in New Zealand. I submit that my experience justifies me in placing my views alongside the views of others who take an opposing view, and to ask that the Committee will give equal credence thereto.

1. *Mr. Langstone.*] You stated on Friday that the honour of the Tooley Street merchants was being impeached; then you said that the Tooley Street people are behind the promoters of this Bill, or acting with the promoters of the Bill: what do you mean by that?—I do not think I quite said that they were behind the promoters of the Bill. It was on Friday that I made the statement—I think it was that Mr. Grounds had published a statement that certain houses in Tooley Street, which were named, had formed an association to promote the welfare of the dairying industry in New Zealand, and it was implied by Mr. Grounds that they were supporting this Bill. I combated that view, and added that even if Tooley Street were in collusion with the promoters of the Bill, those who opposed the Bill would continue to oppose it. I do not think that what was then said had any bearing on the honour of the Tooley Street houses.

2. To-day you say that there has been a lot of speculation and gambling: by whom has that been done? You opened your remarks with that statement that the fluctuations were due to speculation and gambling: who has been doing the speculating and gambling?—Am I credited with the statement that there have been speculation and gambling?

3. You said that gambling and speculation had taken place?—I said I combated that view—at any rate, that is what I intended to say. On Friday I admitted that there was some gambling in butter, as there is gambling in markets and everything else, but generally it has been outside the regular organizations in Tooley Street.

4. You said that the returns were likely to be less as a result of the operations of the Control Board: what reasons have you for thinking that the returns might be less?—The reasons are, first, that our customers would be antagonized; secondly, the fact of exercising control introduces an element of speculation which is just as likely to go wrong as right, and there may be loss on that account; thirdly, the deductions by way of levy and reserve fund would themselves deplete the actual returns coming from marketing: hence the result of lower returns.

5. *Mr. Burnett.*] You admit the necessity for sound control over shipping?—To be quite frank, I am of opinion that the present voluntary organization could be made to serve the purpose quite well, but I agree that there is still something to be done in that direction, and a Producers Board elected on a popular franchise to make the contracts would not be objectionable to me and to the interests I represent, if that is generally desired.

6. What form would that popular franchise take?—As I diagnose the position, there is a desire amongst the producers to have direct control of the Board—that is, a direct vote of the producers concerned.

7. Seeing that you admit that there is a necessity for regulating the shipping, why will you not admit the writing on the wall—control by the suppliers?—I have not admitted that there is any necessity for the regulation of shipping, in the first place. I spoke of a Board to make and supervise the delivery, but I entirely dissent from any attempt to regulate the deliveries to the Old Country. I believe that the best interests of the industry would be served by getting the goods there as quickly as possible; and, further, you will remember that when I was speaking of the shipping I said that you had to give notice two months at least ahead of requirements, and if a change took place during those two months in the marketing conditions, causing a desire to keep back produce, it would reduce the shipping efficiency, and would bring a worse evil. I entirely dissent from shipping control.

8. Will you admit that the control and regulation of produce has been an unqualified success in California amongst the fruitgrowers?—I am not sufficiently well informed to express an opinion on the Californian position.

9. *Mr. Hawken.*] The two products that have been controlled during the last two years are wool and meat: is it not a fact that in controlling those two products the control has been to the good of the producer?—Well, referring to the Australian wool control, it was initiated to deal with an emergency, and an extraordinarily acute emergency. It is not fair to compare that with the normal conditions which confront us in the dairying industry. I imagine the possibility of the emergency conditions have been somewhat met by the organization which was made to deal with them, but it is quite certain that the organization is receiving credit due to industrial recovery and higher prices, to which it is not entitled.

10. But when you see an industry with a vast surplus, and the prices to-day more than twice the prices before they took control, do you not think that the probability is that the organization has had a very great effect upon regulating and supporting the market?—I agree that when you are confronted with an emergency, emergency action is very desirable, which is not desirable under

ordinary conditions. If I remember aright they had about three years' wool-clip in Australia, and that did necessitate emergency organization, and I am not criticizing that, but neither do I compare it with the conditions which are sought to be dealt with by this Bill.

11. In regard to meat control, is it not a fact that this year's market—except for beef—is at the highest price of the series?—I believe that it is a fact that mutton and lamb have sold at very gratifying prices, possibly the highest of the series, but I would like to point out that this is quite irrelevant to this consideration, because Australia, without a Meat Board, has had the benefit of the same recovery in prices. That recovery was due to the exercise of economic laws, and to that only, as far as prices are concerned.

12. Are you aware that the Meat Board held back from shipment a million carcasses in order to meet the scarcity that will take place from now on, and that has been the cause of the rise in prices?—I am not fully conversant with the operations of the Meat Board. I do not know whether they did hold back a million carcasses, but if they did it was more or less a voluntary effort, because the compulsory provisions of the Act have not been invoked.

13. It is not. I take it that you will say that it is not necessary to invoke the compulsory clauses of this Bill as long as the suppliers agree to the course taken?—If the suppliers agree they could do it without a Board.

14. No, not necessarily?—I think that voluntary organization would permit of it being done: at any rate, the Bill contains the most drastic provisions, and some of its advocates have expressed their intention of using every one of them, and if that section gets control, then I say, "God help the dairying industry of New Zealand."

15. But you do not suppose that the dairy-suppliers would put in charge of this industry men who would go to such extremes without proper reason for their action?—It becomes a question of judgment, and these powers which it is proposed to invest these people with are greater than should be asked by any one, under the conditions which confront the industry, which have not any of the elements of emergency. As to who would get into power under the proposed method of election there is room for any surprise. It is not a direct franchise.

16. You have very little faith in the people who manage the dairying business, apparently?—Well, I have endeavoured to avoid any personal references, but if you wish me to give views on personalities I hold them fairly strongly and shall be willing to express them.

17. I am speaking more of the judgment of those who will elect these men: do you not think they are capable of electing a Board that will do the business in a businesslike way?—There is the possibility of vote-splitting. Perhaps I might be pardoned, if the Committee wishes me to illustrate my views on this point, for introducing a personal reference.

18. *The Chairman.*] If it is with the object of fully explaining the position it is admissible?—Yes, it is with that object. I would prefer not to mention my own attitude towards other institutions, but, frankly, I was recently urged to stand as a director of the National Dairy Association. It was the result of a spontaneous movement amongst a group of producers. I did not know anything of their wish until they came with the formal request that I should become a candidate. On thinking it over I believed that I could help it along, and I agreed to become a candidate. There were five other candidates out, and I came second instead of first. The retiring man had not nearly a majority, but owing to vote-splitting he finally got back, and that sort of thing makes anything possible.

19. *Mr. Hawken.*] You spoke of shipping: is it not a fact that the Meat Board have secured an actual reduction in freight charges to the extent of £575,000, and that the dairying industry received only a reduction of £80,000? Now, can you account for that?—I do not know that I will attempt to account for it, but I will content myself by drawing the attention of the Committee to the fact that our reduction in meat freights in New Zealand with a Board was not quite equal to what they got in Australia without a Board, and therefore there must have been other reasons for it.

20. If Australia got it and New Zealand got it, why should not the dairymen have got it?—I think that the dairymen should have got a greater reduction.

21. What is your conclusion as to why they did not get it?—I think possibly it was partly due to the inaptitude of the people who did the negotiating. I say "partly" due, and I emphasize the word "partly" because the fact that in other parts of the world the dairying industry has not benefited to the same extent as other lines indicates that there are other reasons which pertain to shipping organization.

22. But does it not point to the fact that the dairying people want a Board of control such as the meat people have?—Well, if giving them a Board is going to enable them in any later adjustment to get nearly as much as they got in Australia without a Board, let us work without a Board too. In other words, the Meat Board, in that respect, I think, has not justified its existence.

23. Is it not a fact that the Meat Board secured a reduction in freights before Australia did?—I do not think so.

24. I think you will find that that is so?—I reckon it was arranged at the same time: there was only a question of a few days in the announcement. You may take the cases of articles like casein and other general cargo, where the negotiations have been undertaken separately and by voluntary negotiation, and you will find that in these cases the reductions have been even greater than in the case of meat.

25. Yes, but the fact remains that the dairy people have been left out?—They have been left out. I have given my reasons as to why we have not done better. In all parts of the world we dairying people are in the same position relatively, and in the case of meat the Board has not justified itself on the question of freight.

26. Well, it has justified itself as against the dairy freights—that is, they got an advantage?—The Meat Board has not—the meat people have. The meat people in Australia, without a Board, have got the advantage over the dairy people, both in Australia and New Zealand also without a Board. The reason is not the Board, but other factors.

27. Are you not aware that the Australians signed a contract, and that afterwards the Meat Board of New Zealand induced the companies to further reduce the freights, and that then the companies allowed the Australians to come down to the lower freights?—Following contract conditions, and in both cases due to competitive reasons in the Argentine and elsewhere. In the Argentine they are on a better wicket than we are, either in Australia or New Zealand.

28. As to antagonizing customers, you will agree that the same set of conditions would prevail as with meat, in regard to the retailer and the customer at Home?—Under the Bill?

29. Yes?—I do not think that there is any reason to suppose that that is so. The meat organization is different from the dairy-produce organization: at any rate I have understood so; but I confess I am not fully conversant with the meat organization.

30. Well, the product is sold in just the same way, and used in the same way?—Well, I do not think so; but I am not prepared to express a strong view on the question because I have not evidence in support of my view.

31. But you will agree, seeing the prices are so good for meat, that they have not antagonized their customers under the meat control?—It there are ten people wanting to buy what is sufficient for nine people, the price is certain to go up no matter what the antagonism may be. That is what has happened in the meat business. There has been a shortage of lamb and of mutton, and the prices have risen. Unfortunately we are not likely to be confronted with that position in the butter business. I believe the imports into Great Britain for 1923 will exceed those of pre-war days, and if that belief is borne out by fact it will mean that we shall have the reversed position—enough for eleven, and only ten buyers. Therefore the price comes down. It is under those conditions that good will assert itself, and we should cultivate good will and not destroy it.

32. Have you heard any complaint about the people at Home? Have you reason to suppose that there is any antagonism between them and the Meat Board?—No, I have not. That is not applicable as an argument, for the reason that the compulsory provisions of the Meat Control Act have not been invoked.

33. Have you any reason to suppose that Tooley Street would be antagonistic to the Board?—I have reason to know, because Tooley Street have expressed it, that they would be antagonistic to the proposals as outlined by what I have designated the extreme faction.

34. That is, if the extreme measures were taken?—If the extreme measures were taken, and they sought to market independently of Tooley Street, Tooley Street would be driven to other channels of business, and those channels of business would become rivals of ours, instead of being our channels.

35. Whom are you representing now?—I am representing the Taikorea Co-operative Dairy Company, of which I am a director.

36. Are you connected with any other concern?—I am connected with the Cheltenham Co-operative Dairy Company; I am connected with the Glaxo-manufacturing Company; I am connected with Joseph Nathan and Co.; and I am carrying on a farming enterprise of my own, and am therefore very much interested as a producer, so much so that if prices should go down very much, if the business should become disorganized, I should be unable to carry on my farm, and should be financially embarrassed, if not, indeed, *non est* financially.

37. But you would still have something to go on with?—If I were forced into bankruptcy as a result of the operations on this farm I should have to go on just the same as other people who are confronted with the same unfortunate situation. There would be a good many of us, I am afraid.

38. *Mr. Masters.*] Early in your evidence you stated that there was a great deal of delay in the shipment of produce, due to the fact that the boats were calling at different ports round New Zealand, instead of loading at the centres. Do you favour the loading of produce in all the centres—say, the four centres?—I think it is desirable to reduce the number of loading-centres. I think it is unnecessary to send boats to so many. It should not be necessary to load butter at Auckland and the Bluff and at some six or eight places in between. Certain ports might be allotted to certain boats.

39. Do you think it is possible to get regular shipments—or, rather, prompt shipments—by calling at these small ports as is being done now?—I think it is inevitable that the despatch of the boat will be delayed by calling at so many of the small ports.

40. *Mr. Hawken* asked you if you had not failed in the judgment of the dairy-farmer in the election of the Board that will have to control the industry under this Bill. Is it not a fact now that some of the members of the Board in their support of this Bill have not the confidence of their shareholders and their directors?—It is certain that several members of the present Control Council have taken actions which have been repudiated by their directors and shareholders.

41. So that some better scheme of election of the Board would be necessary before you could get the real mind of the farmer himself?—Surely.

42. Now, with regard to the questions put by *Mr. Hawken* in relation to the Meat Board, he asked you if it were not a fact that the Australian Government obtained a reduction in their freights after the arrangement had been made with the Meat Control Board in New Zealand. Do you know that a statement was made in Parliament on the 19th October setting out the reductions in the meat freights from New Zealand; that the same day I made inquiries from the Shaw, Savill, and Albion Company in Wellington, and that the Shaw, Savill, and Albion Company in Wellington were able to tell me that the reductions had been made in Australia, which necessarily must have been made before they were announced in New Zealand?—I should not be surprised at that at all: it is what I should expect.

43. The reductions in that case, therefore, would have been made in Australia even prior to, or at least simultaneously with, the reductions in New Zealand?—That is what I understood was the position.

44. In regard to the increased prices obtained by the Meat Control Board in New Zealand as against the other countries, did you notice a cablegram on the 7th July from London in regard to beef, in which it shows that both Argentine and Australian fores and hinds are higher than New Zealand's?—I did not see the cablegram. I have been travelling a good deal during this month, and have not seen the papers regularly.

45. I have the cable here. If that is so, how do you account for the beef of both those countries being higher than New Zealand's, with a Control Board in New Zealand and no Control Board in the other two countries?—I do not think I can attempt to account for it. As far as the Argentine is concerned, probably it is due to the advantage which the people there enjoy because of their proximity to Britain.

46. Have you noticed that the percentage increase in both lamb and mutton in the Argentine and Australia is greater than that got by the Meat Control Board in New Zealand?—I have so understood.

47. In reference to the reduction in freights, we have a Board in New Zealand—the National Dairy Association—which to all intents and purposes has power to contract for the carriage of produce, has it not?—Yes, it has.

48. A large number of the men who are in that National Dairy Association are directly interested in the furtherance of this Bill?—Yes.

49. Do you think they would be able to make any better bargain under the proposed Control Bill than they would as members of the National Dairy Association?—I do not think so.

50. *Mr. Field.*] I understand that you would not object to a Board having control in relation to shipping, but you object to a Board controlling the marketing of the produce?—I said I did object to the shipping control.

51. I thought you said you would not have the same objection to that?—I said that I did not see there was much necessity for it, but if the industry as a whole desired the creation of a Producers Board to make contracts and supervise shipments—not to regulate shipments—I should not have any personal objection.

52. A Board to make contracts for shipping freights and so on?—Yes.

53. With regard to this question of picking up produce at too many ports, why is it that that cannot be rectified? Would there be any possibility of its being rectified if we had a Control Board, or a Board dealing with shipping?—I guess it depends on the personnel of the Board as against the personnel of the present executive, and as it is a question of personnel one cannot hazard an opinion.

54. Do you think it is impossible of correction?—No, I do not.

55. It means very serious loss, does it not?—I think it does.

56. You do not assume that it is suggested that under this Bill if it passes we should endeavour to get rid of Tooley Street altogether, do you?—One of the factions has declared that that is its intention.

57. But that is all the evidence you have that that would be the ultimate intention?—It has been proclaimed from the housetop in almost every town of New Zealand.

58. The Meat Board are not disturbing seriously the channels for marketing meat in the Old Country, are they?—They have not done so yet; but there do not appear to be the rival factions in the meat industry with which we are afflicted in the dairy industry.

59. Assuming the Bill were passed and they did attempt to eliminate Tooley Street from the marketing scheme altogether, what do you think would be the effect? Do you think Tooley Street would retaliate, and, if so, in what way?—The Tooley Street merchants are in the butter and cheese business. They control at present most of the channels of distribution, and if they could not get New Zealand butter and cheese to sell they would use their channels for selling butter and cheese from other countries. There cannot be any question on that point.

60. You think there is something to fear from that point of view?—There certainly is something to fear.

61. They might be too strong for us?—I am not suggesting that they would do it out of pique or ill will, but that they would in self-defence organize their business to distribute other countries' butter instead of New Zealand butter.

62. In the case of ordinary shipment, from the factories to the Old Country, how many middlemen are there getting a cut between the producer here and the consumer in the Old Country?—There are about four sections. There is the retailing trade in the Old Country, the wholesale trade, the importing houses, some of which supply the retail as well as the wholesale, and these importing houses in England are mostly represented in New Zealand. That makes a maximum of four.

63. Do you think if this control were instituted and the system under it succeeded that we should get rid of any of those middlemen?—I do not think we should reduce the number—certainly not. The incidence of the organization might be changed, but not the number of channels.

64. What prompted me to ask the question was that we had here from a witness from Taranaki an account-sales from a Cardiff company, dealing apparently direct with the factory here. It looked as though there was pretty direct relationship between the factory here and the consumer at Home. It looked as though there was only one middleman in that case?—I was speaking of the average conditions. I know of some cases where the butter is actually bought in New Zealand by the retailing house in England.

65. With regard to the question of finance, you do not think the producers would get the same advances as they are getting at present—90 per cent.—monthly? Have you looked into the

question of what may be the success of the finance under the Bill: have you considered it very deeply?—Do you mean in the event of the compulsory clause becoming operative?

66. Yes?—I have considered it from this point of view: that in the event of the compulsory clause becoming operative, and in the event of the machine being controlled by what I have designated the extreme faction who are determined to work quite independently of Tooley Street, the monthly advances would inevitably be less.

67. You make that statement after full consideration of the question?—After full consideration of the position, and, I believe, with a knowledge of the trade and practice as wide as that of any man in New Zealand.

68. You heard Mr. Goodfellow's evidence, did you?—I heard part of it only, in which he advocated working through Tooley Street; and while you work through Tooley Street this position which I deprecate does not arise.

69. *Mr. Forbes.*] In connection with the Board, do you agree with the Government appointing two members to it, seeing that under the Bill the Government do not assist at all or guarantee anything?—I think the industry should be able to manage its own affairs. If there is to be a Board, I think that a Producers and Exporters Board advantageous as against Government nominees. I do not feel strongly on that subject, but that would be my preference.

70. You would think, at any rate, that it should be kept free from political issues?—Yes.

71. Considering that the Government are doing nothing under this Bill for the industry, they should not have their fingers in the pie to the extent of putting on two representatives, and one on the London Board?—If the Government were going to give financial support to the dairy industry, as it does to the meat industry, I should say it was entitled to participate in the control, but not otherwise.

72. What is the reason why the same conditions have not been extended to the dairy industry as were extended to the sheep-farmers—that is, in the way of Government guarantee of their finance?—I am not much of a politician myself and I am afraid that is beyond me. As a representative of the dairy industry I reckon we have cause of complaint in that we have not been given the same promise of financial backing.

73. Was it discussed at all? Did you have anything to do with this Bill at all before it was introduced?—No.

74. You know nothing about the negotiations that led up to the Bill being introduced?—I was not a party thereto and have not any internal knowledge.

75. In your position you have no doubt followed the record of New Zealand produce for a good many years. Has the difference between the price of New Zealand butter and Danish butter been such during that time that you have thought that New Zealand has been suffering from want of organization? Do you think the difference was more than it should be under similar conditions?—The difference has in recent years been greater than in pre-war days. I have never thought it was due to the manipulation of markets, but rather to the operation of economic conditions.

76. You did not ascribe a good deal of the advantage to the Danish system of control?—No. I do not think the Danish system has been an important factor.

77. Taking the price of New Zealand butter and the price of Danish butter over a number of years, do you think that New Zealand butter has received a fair price in comparison with the Danish?—I think it has been a fair price, having regard to all the circumstances. I dealt with that matter rather fully on Friday last—I refer to the reasons why Danish butter commanded a higher price than ours. One of those reasons is that the Danes dairy all the year round. Their exports are almost the same all the year round, and because one can always get their butter they get a premium for the services they render in addition to the payment they get for the butter. That gives them an undoubted advantage over us.

78. *Hon. Mr. Ngata.*] It is not a matter of quality?—No, but facility.

79. *Mr. Forbes.*] Would not that strengthen the argument that if shipments were controlled here and we could put our butter on the London market all the year round in regular supply it would improve the position?—I do not think so. I gave my reasons in my main evidence.

80. You think that the regular supply of Danish is largely responsible for the good price the Danes get, but you do not think that the regular supply of New Zealand butter would operate in the same way?—If we could dairy all the year round and do what the Danes do we should get the benefit which they get; but I am of opinion that the end cannot after a year or two be attained by a system of control, for the somewhat lengthy reasons which I gave on Friday.

81. *Hon. Mr. Nosworthy.*] As you seem to be so doubtful about the men that would be appointed to the Board of Control, assuming that this Bill became an Act of Parliament, do you not think it is quite a reasonable thing that the Government should have some representation on that Board, so that the Government would be conversant with everything that was being done in connection with this big industry? Do you not think it is quite a reasonable thing that the Government should take that live interest in it by having representatives on the Board?—I think it is desirable that business should be carried on without Government control.

82. That would not be Government control?—I said "control" because I did not want to use the word "interference." It did not sound so nice.

83. We are not so sensitive as you?—Had the Government financial responsibility under the Bill—a contingent responsibility—I should certainly agree that it was fair that they should have representation on the Board; otherwise I think the less Government interference—if you will pardon the word—with business the better.

84. The Government naturally would have as much interest as anybody in seeing that the industry was conducted in a right way and the marketing and everything done as it should be. It

is to the interest of the Government to see that everything is done properly and to know that it is being done for the best. That is my point. Do you think it is interference when the Government have representatives there to see that there is no undue trouble caused through mistakes, or to give advice?—Candidly, I do not think it would contribute very much. A sincere desire to help along might be there. A lot of the people in Russia are sincere in what they do, but we have got into the habit of deprecating that sort of thing.

85. You do not suggest for a moment that the Government of this country are likely to do anything like what they have been doing in Russia?—This compulsory power is a little bit like it. Without imputing insincerity I think it is a fair parallel.

86. You and the other men who are opposed to the Bill represent interests that have been working in this country for a long time, and you are against an organized attempt by the producers themselves to control their own business in their own way, because it is in conflict with the methods and means by which you and others have been accustomed to carry on the business in the past: is not that so?—I entirely deprecate the insinuation at the back of that. The insinuation, if not the statement, is that all those who are in opposition to this Bill are in opposition because of influence from interested channels and that it is not our sincere conviction. I think it is a very improper imputation. I do not object to what we say being criticized, but I think it ought to be received as the *bona fide* expression of honest men.

87. I did not wish to insinuate that at all. What I meant to convey was that the methods that have been employed in business in New Zealand in connection with the dairy-produce up to the present moment are entirely in opposition to the proposals that have emanated from the producers for a system of control of their own business by their own methods under a Bill such as is submitted to the Committee now. That is my point. I am not imputing any evil intentions to any of you. Your ideas and methods of conducting business are directly opposed to what is proposed by the majority of the producers, who, I maintain, want this Bill. Is not that so?—A section of the producers only want the Bill.

88. I made the statement, and I have to take the responsibility for it, that a majority of the producers desire this system?—There has been no consultation of the producers, and therefore, if you will pardon me, it is your view on that point as against mine to the contrary; and if you will pardon me further, I think I am in a better position to judge even than you are on that point, because, being a producer, I am in very intimate touch with the producers.

89. I am not going to dispute the point with you. That is the whole objection to the change that is proposed. The producers who desire this change desire to be able to conduct their business as producers on the lines they think best for their own benefit. If they make a mistake, of course they have got to pay the penalty. They are quite alive to that fact?—We who dissent will also have to pay the penalty with them. That is where it touches us.

90. *Hon. Mr. Ngata.*] You said in your evidence last Friday, I think, that New Zealand butter was off the English market for some months?—For some months.

91. About how many months, on the average?—On the average, perhaps right off for three months, and only negligible quantities are offered for an additional three months—that is, we work up from nothing to a maximum, and then work down again.

92. Do you propose to remedy that at all by evening the deliveries up, which would entail a certain amount of storage?—I do not propose doing it. I disapprove of that attempt, because wherever it has been tried it has failed.

93. You think the dominating business policy should be to serve the butter up to the English market as fast as it is produced?—Yes, as quickly as possible. On the average that brings the best return.

94. With regard to reducing the number of loading-ports for vessels, would that not entail penalizing factories that are situated in out-of-the-way places, more than they are handicapped at present?—No, because the shipping companies under their contracts have always paid all expenses from grading-ports. Therefore there would not be a penalty.

95. The reduction of loading-ports would not necessarily mean the reduction of grading-ports?—No.

96. So that no additional expense would be involved to the producers by a concentration of the shipping-ports?—No.

97. *Mr. Langstone.*] When the boats come to New Zealand, of course they have got to call at different ports to discharge cargo. They do not always go to these ports just to pick up cargo, but they discharge and load at the same time: is not that the position to-day?—It is a practice which has grown very much in recent years. Earlier, a considerable quantity of goods was distributed up the coast—distributed to the smaller ports from the larger ports.

98. That would mean extra handling, would it not?—That is so, but the extra handling was more than compensated for by the despatch and the increased earning-power of the bigger boats.

99. *Mr. Masters.*] Take a port like New Plymouth. There are direct boats coming in there now with merchandise from the Old Country, and loading butter there. If that port were cut out, would it not have the effect that the coastal freight would have to be paid? You say that this is paid by the shipping company. I cannot imagine that the shipping companies are going to do that for fun. They must take it into consideration when they are fixing the freight between New Zealand and London. It must have a bearing on the freight: I think you will admit that?—It has a bearing on the freight. As a matter of fact it would permit of a lower freight if it could be carried to its natural conclusion. Just imagine a hypothetical case: Load all the butter at Wellington and bring it here by coastal boats: a lower freight would be possible, including the coastal freight, than we have now when the big boats tramp all round the Dominion.

100. You think it would be desirable, then, to load at the four centres?—No, I did not say that. I am not prepared to say what the ports should be. The point I sought to make was that there is no need to load a boat at eight ports. There are about sixty to seventy loadings in New Zealand during the year, and they could be grouped in a way which would avoid the necessity of so much tramping around.

101. *Hon. Mr. Ngata.*] You would not eliminate some of the ports?—Not necessarily. Possibly some of them might be eliminated, but that was not an essential part of the proposal.

102. *Mr. Langstone.*] That means that the people at Home would have to despatch all their cargo for one port, provided they had a cargo of dairy-produce to pick up at that port?—I do not think that would be implied. If it were known that certain boats would work certain ports they would take cognisance of that fact when loading.

J. B. MACEWAN examined. (No. 11.)

1. *The Chairman.*] Whom do you represent?—I represent the proprietary factories, and I wish to give some evidence as an exporter and as a merchant. I have been somewhat puzzled as to what evidence I could give you to-day which might be helpful; but what I will say will be in direct opposition to this Bill, for reasons which I will try to explain briefly to you. We are opposed to compulsion in any form—

2. *Mr. Forbes.*] Who are “we”?—The proprietary factories and merchants and exporters. We are opposed to compulsion in any form unless in a national emergency. We are opposed to Government representation in any industry which is soundly and firmly established. You know, possibly better than we business men know, that influence in, say, political circles is very far-reaching. You sometimes are forced to consider basic conditions from a political point of view and not from a business or financial point of view. Briefly, these are our main objections to representations unless in case of emergency. If we are at war, or possibly if an industry gets into a bad state, for many reasons we say that possibly the Government or the House would be justified in taking a hand in it until it is well established again, and then quietly withdrawing. Many of us here have been engaged in this business for many years. We see round us men who are in different positions. I believe we are all proud of our participation in the development of this industry. Some of us, you will have heard, have been connected with it for thirty or forty years; some for shorter periods. We claim that the dairy business is highly organized. For many years we have had central control of shipping. We have had a London Intelligence Department; we have had a High Commissioner’s Office; and we have had the numerous British firms who have had representatives in this country and who have supplied regular information for the guidance of our factories. As for the Government’s part, you all know what they have done. We have had compulsion in certain domestic matters—compulsory grading, compulsory branding. We believe that these are all within the scope of control or compulsion. But when you go into the markets or the world we say you must act carefully. You must consider the fundamentals, and you must consider what objection you are likely to meet. Speaking first from the point of view of the proprietary interests—you will understand that these concerns are entirely different from the co-operative factories which you have throughout the country—we claim that the proprietary factories represent a very important unit in the carrying-on of the dairy business. You all know that during the last few years—I think that possibly you members of the House realize it more than most of us do—there has always been a shortage of money in the hands of producers for the development of their farms and their herds, and so on. In the proprietary factories we say to our suppliers, “We will provide the capital for the buildings and plant. We will undertake the management, and we will pay you prices to be arranged from month to month or from season to season.” This permits the farmer to conserve his own resources. He is not called upon to pay for any shares or for the building of the factory or the equipment thereof. He retains all the money which he earns or controls for the development of his own farm. His time is not taken up in going away from the farm to control other business matters. That is left to those who have studied and made themselves fit. That is briefly the service which the proprietary factories claim they give to the suppliers of this country. I think it is a fair thing to claim that the product, as manufactured by these proprietary concerns, belongs to them and not to the producer. There are thirty-eight factories throughout this country run on proprietary lines. It is estimated that for the coming season they will manufacture from 12,000 to 15,000 tons of butter and 1,000 tons of cheese. This Bill proposes that a Board shall be at liberty to take away the control of the marketing of our own product, of our own goods. We claim that that cannot be done in a British country unless in a national emergency, and I hope you will agree that that is a fair claim, for the reason stated. We say that we are prepared to sit around the table with all the important units. The producer always come first—must come first. We will take the merchants’ interest in this country; we will take the exporting interest; and we will take the importing and distributing interests in Great Britain: we say we are prepared to sit around the table with all these interests, and by good team work and by working in harmony we believe we can make greater progress during the next five years than you can under such a Bill providing for control or compulsion. My evidence will be along the lines of supporting this statement—that we believe that better progress will be made by working in harmony and by team work than by compulsion or control. Take the experience of the last eighteen or twenty years; we have made very substantial progress. The question of marketing I leave to another phase, but we are always willing—I am speaking now for the interests which I have mentioned; that is, proprietary, exporting, and merchants—we are always willing to work harmoniously and vigorously when necessary with the other interests, and especially those of the producers. I fail

to see where our interests are in conflict. I fail to see why we cannot get better results if we have the different elements represented in our conference, in our control, in our management. That applies to all movements when you have the different interests all working together instead of sectionally and possibly against each other. The last word on the proprietary part: we say now that we are prepared willingly and freely to work with all the other units, with the fundamental idea in mind that we all want to get the highest possible prices f.o.b. to the producer. I believe that that is what we are all trying to obtain. Now just a few words on behalf of the merchants. The success and prosperity of the producer means success or otherwise to the merchants. I do not need to stress that: you all realize it. Speaking as a merchant, I want to say that to-day all the capital of the firm of which I am managing director is in the hands of the dairy-farmers—practically the whole of it. We are giving very substantial help to these dairy-farmers by giving them extended payments for their plant which they install for milking and separating locally. They are enabled to improve their facilities for working their farms. They are able to bring their equipment up to date. Therefore we say that if these farmers are not successful in their operations, if any move is made which will retard their progress, they are the first to feel it, but we feel it very quickly afterwards. To demonstrate this point, and to show that it is our barometer, let me mention that at the present moment we have more outstandings throughout the whole of the North and South Islands—more unpaid due payments—than we have had at any time in the last twenty years. What does it mean? The total amount due and at present unpaid is greater than it was twelve months ago, and, of course, much greater than it was two years ago, because twelve months ago, as you will remember, we were undergoing our first real taste of getting back to solid ground again. As merchants this is the service which we are giving to the dairy-farmers. Our interests are so closely linked that I cannot see how it is possible to put us into a different section of interest. That is all I will say on that point. I now wish to discuss a very important phase in which we are all interested, and that is the question of exporting and marketing. Whether we are right or wrong, whether some of our views are correct or incorrect, we feel that this is not the time for any interference with the usual channels of trading, unless the conditions are unusual. We claim that certain co-operative interests have established very valuable connections in oversea markets. Their system of finance gives them the very best facilities, and in opposition to the Bill we find these co-operative interests voicing their views. They say, “We do not wish any disturbance. We do not wish to lose control of our individual interests.” And that appears to us to be a reasonable and fair attitude. In marketing we think it is advisable to watch what other countries are doing. Canada, the greatest exporting country of cheese until recent years, has had a varied experience over the last forty years. The Canadians studied the British markets very carefully. There was at times an inclination to go outside of the present distributing channels. There was an inclination at one time to start their own shops. But after the most careful and exhaustive investigations the Canadian leaders in business, financial, and producing circles decided that it was in their best interests to work through all the present mediums in Great Britain. That is Canada’s experience. She has not any Government control; she has not any compulsion. But if you go over to Canada, in the winter season especially, you will find great assemblies, great meetings of all the different people interested in the dairy business—vast conventions of producers, factory-proprietors, business men, merchants—they are all standing shoulder to shoulder, working in harmony, trying to build up their dairying interests on sound progressive lines. That is what you will find in Canada. Then go over to Denmark. We are more familiar, possibly, with Denmark, because there has been more said about Denmark. As far as we know at the present time the Danes have not Government control; they have not compulsion. The necessity of doing better, or doing as well as they can for themselves, has brought about that harmony and team work which we think is so necessary. You have heard different statements made about Danish control of prices in Great Britain. I have prepared a statement which I propose to put in as written evidence. Part of this is compiled from information given me a year ago when I was in Copenhagen, and part of it has been written by Mr. Robertson, who obtained buying particulars from Sir Thomas Clement when he was recently in this country. It has been claimed that the Danish system enables the Danes to control prices in Great Britain. Now, I interviewed both co-operative and merchant interests to find out to what extent this applied, and I was given this in detail: that the selling of the Danish butter from day to day is conducted quite independently through various mediums, some of them co-operative. Some of the big distributing houses in Great Britain have their own buying houses in Copenhagen. Others are represented by merchants, who act as agents. The Danes sell from day to day at the highest possible prices they can obtain, and then on the Thursday of each week this committee meets, with an independent chairman, and then they establish an average price for the past week’s sales, and that price sets the standard for payment to the butter-factories; but they do not set any price whatever for the British buyer. This is the information I was given personally a year ago in Copenhagen. The evidence which Sir Thomas Clements gave to Mr. Robertson was along the lines that from day to day each week the buyers from Great Britain receive straight-out offers through these agents in Copenhagen, and possibly in other centres, and it is for them to say whether they are going to accept the prices or not, or whether they buy on Monday, or Tuesday, or Wednesday. That is left to the discretion of each of the operating houses in Great Britain. I only emphasize this point because surely it is advisable for us to get accurate information as to what other countries are doing, and how they are doing it, and why they are doing it.

3. *Mr. Masters.*—Have you any evidence of their holding-up supplies for a price?—I have no evidence except to the contrary. I asked specifically for the reason why they are opposed to consignment and are always sellers. I said, “On the Thursday of each week, if you have not cleared the outputs of the factories for whom you are acting as agents, will you consign the butter?”

And they said, "No." Possibly some agents do. I am not prepared to say to-day that there are no consignments from Denmark. But I asked the chairman of the Danish United Dairies the same question, and they all said "No; we make an attempt to clear up every keg of butter that we have to offer for each weekly shipment." There are many other details of this which could be discussed, but I will not trouble you with them at the present time. In connection with the necessity for compulsion or control, it has been said by the leaders of the promoters that there is no intention to bring in the compulsory clauses. I have heard Mr. Grounds say that he was prepared to give his word that those compulsory clauses would never be brought in. We say, gentlemen, that when an Act becomes law it is practically impossible for any individual to give undertakings of the kind. I wish to make these suggestions. If we—producers and commercial and financial interests—are generally in accord with the opinion that there is no real necessity for compulsion or control; if we are in accord that in an industry or a business that is well established we should not have Government representation; if we are in accord that we are all out for the same result—the highest possible price net to the producer in this country—why is it that we cannot come together? Why is it that we cannot work in harmony? Why should we continue in sections, as we have been doing for many years in this country? These sections have been created, we think, only by misguided efforts in connection with this question of marketing. I am not prepared to say, although I have had a good deal of experience, that we should do this or we should do that. It is a man's job, though, to improve some of the conditions which we have existing in this country to-day. We have made rapid progress. The quality of our butter and cheese reflects credit on every one that has had anything to do with it, and to-day it continues to reflect credit. Taking our cheese as compared with Canadian, a short time ago when Mr. Ruddick visited this country he was amazed at the progress that had been made. If you take butter the same thing applies. I go round the world regularly in connection with my business, and I can safely say to you gentlemen that as far as the manufacturing end is concerned and the general supervision we have very little to learn from these other countries that have been in the butter business for so many years. I say we have done exceedingly well. If there is even a reasonable fear of interference or disturbance at the present time, should we not go carefully? Should we not say we must be doubly certain? From listening to the evidence this morning there seems to me to be a concentration of unrest or doubt in the minds of the Committee about shipping. I believe that to get an efficient service from New Zealand is difficult—that in this respect New Zealand is the most difficult of any country in the world. A brief description will enable you to understand. In Canada they have one port, practically, in the summer time—Montreal—and they have sufficient business to give them regular steamship services to all the main British ports, the British buyer or importer being able to calculate almost to an hour when his goods will arrive. Denmark is equally good, or better, for there is a shorter sea trip. Buyers can always calculate on their butter reaching their ports on Monday morning of every week. Holland is the same. From the Argentine I believe they get also a very regular delivery. Australia has a good service, principally through her mail-boats. There are five ports of call, and the boats arrive in London docks within a few hours of time-table dates. That is the main service. Now, in New Zealand, by reason of our domestic conditions, we have established a great number of grading-ports, which have developed into shipping-ports. I express this belief: that the New Zealand farmer on the average pays shorter railage hauls than in any country in the world. That must come when you have so many ports. I would express that opinion, without being able to give it as concrete evidence, that the New Zealand farmer pays shorter railage hauls than in any country in the world. Questions have been asked this morning as to what we should do about all these various ports, and the question of the discharge of inward cargo has been raised. I have only one recommendation to make. I am not a shipping man, although we have been shipping and receiving goods all our life. Is this not a problem to be taken up with the shipping companies, either here or in London? My opinion of the shipping companies is that they are out to give New Zealand a good service. They are a very important connecting-link between the hundreds of millions of money invested in this country and our oversea markets. Why should they not give us a service which will enable us to market our goods in the most satisfactory way and to obtain the highest possible price? I offer no opinion as to how this is to be brought about, because I think that is only a detail at the moment which might only take up too much time; but the problem is so big, so important, that I strongly advise all concerned to sit together on this problem. Let us say we want a regular delivery at London, or at Manchester, or at Liverpool. All these questions require consideration. Are we going to ship to Liverpool? Are we going to ship to Manchester? If we do, will it pay us to do so? I say that opinions at this end are not worth a great deal even after extensive experience. I say, let us send a deputation of moderate, sound producers. Let them go to Canada and study the position there at first hand, finding out why the Canadians market their goods in the way they do, and what arrangements they make about shipping. Let them go to Denmark, and find out at first hand accurate, truthful information. Then let them go around among the importers and wholesalers and retailers of Great Britain and say to them, "We want to give you a better service: how are we to do it?" In conclusion I wish to say that on my recent visit I gave a bit more time than usual to marketing, and I wish to put it in evidence here that among the importers and the wholesalers and retailers of Great Britain the view was held that New Zealand stands right at the top. Some of them were a little bit disturbed last year at the proposed legislation, because they thought an effort might be made to make them do something they did not want to do. They did not like the idea. I explained that I believed that the promoters of the proposed legislation had in mind an improvement in our marketing-conditions, and we were out to give them regular deliveries. I said that in the coming competition in their markets by the countries which have been out of action for some time we wanted them to give New Zealand produce preference. I did not mean by a tariff. I meant that they should

give New Zealand their very best efforts. And every man I met, whether it was in England or in Scotland, said, "You are giving us an article of good quality; you are giving us a fairly good service; we are prepared to do the best we can for you." On the question whether we should extend our shipments to all the year round, I asked various heads—heads of these big marketing houses. I asked, "Do you recommend that we imitate the Danes and give you butter every week or every fortnight throughout each twelve months?" And I believe that these men almost without exception said, "The subject is such a big one that we would like time for consideration." That is another point. If you are going to regulate shipments, if you are going to attempt to get regular weekly or fortnightly arrivals in Great Britain, I believe the question will have to be investigated from the British end, where you have all these big interests, people very keenly interested in our produce, realizing how good our quality is and recognizing also that we are part of the Empire. I say this in conclusion: I believe that if we can adopt a method along the lines I have indicated, instead of compulsion; if we can stop this sectional feeling that certain units of interest are not being properly protected; if we can adopt some other method, I believe we shall make much greater progress in the next five years than we shall do under compulsion or control on the lines suggested.

4. *Mr. Hawken.*] Do you think that the grading system has been an advantage to New Zealand?—Without doubt.

5. It has had an effect on the quality of the produce?—Without doubt.

6. You would not advise that grading should be carried on in any other way than at present?—No, sir.

7. You spoke of the team work and the big meetings they have in Canada of the settlers and the merchants and all concerned. Is it not a fact that in Canada they have never been able to agree as to a grading-system?—I understand that it has been adopted and put into force on the 1st May of this year. I received a letter by the last mail from Mr. Ruddick, and in it he said that the grading-system there had been started smoothly and satisfactorily.

8. It is a fact, of course, that in New Zealand the Government brought in grading compulsorily?—Yes, sir.

9. Many years ago?—Yes.

10. And there was at the time a good deal of objection on the part of factories to the system?—I believe that is right.

11. Do you not think that that alone is a factor in deciding as to the necessity for such a Bill as this? Is it not a fact that the Government by compulsion can sometimes move an industry into a better position and do it quicker than by agreement among the suppliers themselves—having in view, of course, New Zealand and Canada?—A question of domestic interest such as grading cannot be classified with an export one, such as compulsion in marketing. In local grading you are not taking away an individual's right to control of their produce: you are only exercising an influence over all for good. Of course, experience has shown that those who may have been in opposition at the time did not realize what it would mean, did not realize what a grading-certificate meant in the markets of the world, even in making sales and in arranging contracts. Possibly that was not foreseen. I emphasize that in my view domestic legislation such as grading and branding cannot be classified with the principle that is at stake in this Bill—taking away the control of a person's goods. Possibly that will enable you to see what I have in mind.

12. You spoke of a committee from the interests here going to Canada and to England and trying to arrange about shipping. You have heard the evidence here. Do you think that all the factories would contribute to the expense?—I think so.

13. You have heard the objections to even the slightest levy being put on the producers?—Yes.

14. Do you not think that this Bill provides in a much better and quicker way for such a committee?—It provides for a committee possibly in a quicker way but in a most objectionable way. Speaking for the proprietary factories, I say that we fail to believe that, except in an emergency, an enactment can be passed through this House which will take the control of our goods away from us.

15. I acknowledge that it is quite a recent innovation. Now, nothing has been done so far except the appointment of the National Dairy Association. Is it not a fact that the National Dairy Association has no real power to make a shipping contract that is binding on every factory?—Technically I should say Yes, you are right.

16. That is, a factory can break away from the National Dairy Association at any time and from their contracts and ship on its own account?—Well, no; it cannot ship on its own account, I am sure, because in the contracts which have been arranged in recent years the contracting party had control of all space. At least, I understand so.

17. In the event of another ship—a single ship—coming into these waters, would it not be possible for it to break away?—Possibly.

18. So that in reality the National Dairy Association has no power to make a binding contract?—I say that in reality the association has every power, but not technically.

19. That being so, do you not think the National Dairy Association is in a weak position in making its contracts with the shipping companies?—I would prefer that the National Dairy Association should answer that. I have felt for many years, if I may say so, that the weakness in the organization of the National Dairy Association has been that none but those identified with co-operative interests could occupy positions on their executive.

20. I will put it in this way: supposing that, as is proposed under the Bill, they have absolute power to say to the shipping people, "We will agree that you ship all our produce, at a certain price"—do you not think they would be in a better position than the National Dairy Association?—Yes.

21. There would be an advantage?—There would. There would be a legal advantage—possibly no practical advantage.

22. You understand, of course, that under the Bill the Board could make a contract even outside of the present shipping combine?—Yes.

23. That would give them very great strength in making a deal?—Yes.

24. So that, as far as the shipping is concerned, I take it you think that the Board would be in a better position than the National Dairy Association?—I would say that a Board, appointed along the lines which I believe have been put here in evidence—I would say that with its legal and practical position, such a Board would have a better equipment for tackling that phase of the export interest.

THURSDAY, 26TH JULY, 1923.

F. H. LEONARD examined. (No. 12.)

1. *The Chairman.*] You wish to make a statement to this Committee, do you not?—Yes; but before doing so I should like, as secretary for the opponents of the Bill, to place on record the views of the various companies that have written to me in connection with this Bill. I would like first of all to put in a statement from Mr. A. J. Brennan, secretary of the Oaonui Co-operative Dairy Company (Limited), as follows: "Resolution passed unanimously at a general meeting of shareholders held in the Oaonui Public Hall on Thursday, 14th June, 1923: 'That this company votes against the introduction of legislation to make the proposed Dairy Export Control Bill law.'" Mr. Brennan goes on to say that the output of the Oaonui Co-operative Dairy Company (Limited) during the past season—namely, 1922-23—amounted to 64½ tons of butter and 456½ tons of cheese. As Mr. D. Markham could not wait to give evidence before this Committee he has asked me to put in the following statement, and also a wire from the Ruawai Dairy Company. The wire reads as follows: "Have advised Prime Minister all directors Ruawai Dairy strenuously oppose the Dairy Control Bill, which deprives the civil rights so zealously guarded by the British Empire allowing to buy or sell where you like. The advocates of the Bill if passed into law should be held responsible for any loss sustained by such a measure." Then there is a wire from Mr. L. Markham to Mr. David Markham, and it reads: "Chairman authorizes you act on behalf of our company; intended sending delegate to oppose the Bill, which is neither to the interest of the colony or dairy-farmers." I will now read out Mr. D. Markham's statement in opposition to the Dairy Control Bill, dated 20th July, 1923, as follows: "I am a farmer and a supplier to a co-operative dairy company. I am chairman of the Oaonui Co-operative Company (Limited). Factory at Oaonui, Taranaki. I am deputed to speak on behalf of the Ruawai Co-operative Dairy Company (Limited), Ruawai, North Wairoa (see telegram attached). My clients are absolutely opposed to the whole Bill and to compulsion in any form. We would favour a Producers Board elected by popular vote of the suppliers to co-operative and proprietary companies. Board to be in office for three years. I am of opinion that a Board elected in such a manner would have the confidence of the producers and would be competent to deal with shipping. I am satisfied that opposition to the proposed Dairy Control Bill is increasing, and that to-day about two hundred companies have declared for the Bill, while one hundred and twenty are against it. In the face of so much opposition the Bill should be shelved."

I will now proceed to give my own evidence. First of all I desire to say that I am managing director of the Hinuera Co-operative Dairy Company (Limited), and our factory is at Hinuera, Matamata County. We have sixty suppliers, and our output is approximately 200 tons. I am empowered to speak on behalf of the East Tamaki Co-operative Dairy Company (Limited). The wire authorizing me to speak on behalf of that company reads as follows: "Leonard, Chamber of Commerce, Wellington.—East Tamaki Dairy Company authorizes you give evidence *re* dairy pool.—WATTS, Managing Director." This company has about one hundred suppliers and they are all opposed to the Bill, and this has been demonstrated at a public meeting. The whole of these dairy-farmers are in Mr. Massey's electorate. I have also been asked to speak on behalf of the Tokoroa Co-operative Dairy Company (Limited), which has thirty suppliers and a total output of 150 tons of cheese. I also speak on behalf of the Opotiki Dairy Association; and the wire authorizing me to speak on behalf of that company reads as follows: "Mr. Leonard, Hotel Cecil, Wellington.—Directors this association are strongly opposed to Dairy Control Bill, which they regard as an unnecessary interference with the freedom of British trading. Will you kindly represent this company before the parliamentary Committee and most strenuously oppose the Bill, especially the compulsory clauses, which should only apply to those voluntarily accepting compulsion.—Secretary, Opotiki Dairy Association." This company has an output of 600 tons, and there are 250 suppliers. I have also a wire from Mr. Agar, of Christchurch, in which he says, "Have arranged with Minister that Committee will receive written statement from me. This should cover position."

I have been in business, and for twenty years I was senior partner in a large indenting and exporting business which I managed successfully. I have successfully floated two co-operative dairy companies during the last two years, arranging their finance and supervising their factories; also I was the first chairman of the East Tamaki Co-operative Dairy Company. At the present time I am managing director of the Hinuera Co-operative Dairy Company. I have had active experience in all departments of the dairy industry, both in producing and marketing. I know of no reason why defects in our shipping and marketing need legislation to remedy them. To

my knowledge, sir, there is no disability which cannot be rectified by the direct action of the heads of the various dairy companies and the exporters apart from legislation. I have carefully weighed the statements of the promoters of the Bill, and I note that they claim that the full market value of produce is not secured at present, but that it could be secured if the Bill were in operation. I do not admit this; and, moreover, the Bill giving control—and I have studied this Bill very carefully—is, in my opinion, more likely to be harmful than helpful. Under the war conditions of control I find, when it comes to the question of selling our dairy-produce, that New Zealand did not get a fair market value estimated at the parity paid to either Canada or Argentine. Members will understand what I mean by that. If you take the Canadian price that was given for cheese as being the standard, and discount our New Zealand product by the extra cost of transmission to the United Kingdom, you will find that the value we obtained was not the parity of the Canadian price, but a good deal less. Therefore I cannot see that the control that existed at that time was of any material benefit to us. It has been claimed that the regulation of shipping would ensure higher prices. Not necessarily, for during the last season when heavy arrivals were available in January and February the market price rose steadily. At this stage, sir, I would like to read the following statement which can be copied from the report of the National Dairy Association: "Shipments of butter for season 1922-23 up to sailing of the s.s. 'Tairoa,' which left New Zealand on 17th January, totalled 1,275,345 boxes, equalling 31,883 tons." The "Tairoa" was discharging on the 10th March, 1923, in London. Assuming our exportable surplus for the season 1922-23 amounts to 60,000 tons, it would require shipment of 5,000 tons a month to regulate supplies of equal quantities per month on the London market. Four and a half months to the middle of January, when the "Tairoa" sailed, would have totalled 22,500 tons, leaving on hand—which had actually been shipped this season—9,383 tons. This latter quantity would have reached an average market from the 17th March to the 5th May (*vide* High Commissioner's cable) of 172s. per cwt., as against an average market for the preceding four weeks, within which period this butter was actually marketed, at 207s. The difference between the two figures is £35 per ton, and taken upon the 9,383 tons involved represents £328,405. I submit, sir, that by regulating the shipping at the rate of 5,000 tons a month—say, during last season—the result would have been that the producers in New Zealand would have been £328,405 worse off. Attempts to withhold produce at this end may be disastrous to the producers by reason of the fact that butter and cheese must be sold promptly. In my opinion, the present service of ships is adequate so far as tonnage is concerned. Regulations of the time of departure and arrival could be adjusted, if required, by the National Dairy Association or other representatives, and I maintain that it can be done without legislation. It is advisable that freezing-stores should be cleared at least every three or four weeks. In my opinion, a Board of farmer directors selected from the directorates of dairy companies would not be competent to arrange the handling and transportation of this country's dairy-produce, or to carry out the functions provided by the Bill now before this Committee. As a matter of fact, I would not have much faith in such a Board. The industry may need a closer association of producing directors with experienced business men, and reforms and improvements might be effected by such a combination. However, I do not think that legislation would help such a movement. I contend further, sir, that groups of farmers, who have capitalized their own co-operative companies, built factories, and are now engaged in producing, should not be called upon to hand over their produce to an agency backed by legislation unless that agency were prepared to buy outright in competition with the world's market rates and guarantee a better return. If this can be done, then I say that such agency should have the backing of legislation; but, sir, the proposed Bill gives no such undertaking, and therefore I maintain that it has no claim to legislative status. The principle of the Bill is wrong. As an experienced business man I could not recommend such a measure, nor would I care, if such a Bill became law, to have the responsibility of becoming a trustee for the producers under this Bill. There is no guarantee that the slightest improvement on existing conditions would be effected, and therefore the Bill has no claim on Parliament. Furthermore, I would say that the enactment of this Bill would have a detrimental effect on the dairy industry. It assures no better return for our produce, but it takes part of the producers' return to pay the expenses of the proposed Board, and by its control-of-marketing clauses it robs the industry of the initiative and business acumen of the men who are now instrumental in bringing into the Dominion the sum of £16,000,000 per annum. This Bill, in my opinion, would transfer the destiny of a great industry to a Board of untried and perhaps incompetent men. The newspapers announced a few days ago that a group of Tooley Street merchants had formed themselves into an association to co-operate with the New Zealand producers to further the interests of the dairy industry. The fact of this movement, if it has taken place, is a sound argument that legislation is unnecessary. The promoters of the pool scheme, and of the present Bill, started off by affirming that they would market without the Tooley Street interests. It is evident that their researches into business have led them to the conclusion that the New Zealand dairy industry cannot carry on without the financial backing and assistance of Tooley Street. Further, it is now admitted that these London merchants are desirable as friends, and should not be looked upon as foes. Such a change of front shows a deplorable weakness and incompetency, in my opinion, on the part of the promoters of the Bill. A movement in the direction of co-operating with the large importers of Tooley Street must result in advantages being secured both in the United Kingdom and at this end. The consummation of this object would be most desirable, for it carries the assurance that the operation of such a combination—Tooley Street with New Zealand exporters—would be conducted on sound business lines; but such a desirable movement needs no legislation. During the war when the British Government had commandeered the whole of the dairy-produce it could not carry out the distribution without the help of the Tooley Street houses. The Butter and Cheese Importing Committee consisted of several of these gentlemen whose names appeared in the newspapers as willing to co-operate with the New Zealand

producers, and I submit, sir, that New Zealand should be as ready now as the Food Ministry was then to accept the help and business ability that these men are offering, and not seek to hamper their efforts by useless legislation. Under war conditions control may have been necessary. I submit, however, that under peace conditions it is unnecessary. Control as we saw it in Great Britain led to the accumulation of vast stocks of butter and cheese, with a consequent disastrous results. The system at present existing secures prompt consumption and quick return, and it should not be hampered or interfered with. The proposed Bill implies a policy of withholding stocks of produce to influence market prices. The powers conferred on the Food Ministry resulted in 69,467 tons of butter being thrown on to the London market in March, 1921—a disastrous result of control which brought ruin to many farmers in New Zealand. I may say that one of the promoters of the present Bill stumped the country advocating a free market. That same gentleman is now asking for a repetition of control. This seems to me to be a piece of most flagrant inconsistency on his part. I have to call the attention of the Committee to the fact that there are serious differences of opinion among the promoters of the Bill. Mr. Grounds, who has taken a leading part on public platforms in advocating the Bill—the whole Bill, with all its provisions for shipping, absolute control, marketing, and financing—is reported in the *Ellesmere Guardian* of the 6th June last as saying at the Leeston Town Hall: “It has never been said that finance has to be arranged by letters of credit set up by the London merchants. As a result of inquiries made by himself and two other members of the Council from the Associated Banks, they had been assured that there would be no difficulty in arranging the Board’s finances through the Associated Banks.” This statement can only be taken to mean that it is in the mind of Mr. Grounds that the Board, acting under the powers of clause 11 of the proposed Bill, would finance the payment for the produce through the Associated Banks. I believe Mr. Grounds to be perfectly sincere, and he is no doubt full of missionary zeal; but these very qualities make him the more dangerous. I think I would be correct in saying that Mr. Goodfellow flatly contradicted Mr. Grounds. Mr. Goodfellow’s remarks in connection with the question of finance were sound, and they were correct in every detail of the methods in operation, and proved, as every business man knows, that existing methods must continue. The Associated Banks of New Zealand could not—and I doubt whether they would if they could—finance the proposed Board. The fact that so prominent a man as Mr. Grounds is at variance with his colleague Mr. Goodfellow convinces thinking men that the Bill is an ill-considered measure. The statement so clearly set out by Mr. Goodfellow that existing financial methods must continue will commend itself to the Committee, and show that the proposed Bill has nothing in finance to offer to the industry to justify its enactment. The important facts ably set out by Mr. Dear—an opponent of the Bill—and endorsed by the leading supporter of the Bill need no further comment from myself. Members of the Committee will form their own conclusions as to the vital importance of maintaining the confidence of our present clients—namely, the Tooley Street houses. Mr. Hawken rightly asked a witness, “Would any sane body of men take over the finance of the industry and put the control clauses into operation?” My answer to that question is unhesitatingly “No”; and I believe Mr. Hawken will now agree with me that it is not in the interests of the dairy industry that Parliament should include these clauses in the Bill already under discussion. It has been stated that an organization such as the proposed Board would stabilize the prices of the New Zealand dairy-produce. The words “stabilize the prices of New Zealand dairy-produce” are not mine: they were used as a question put to a witness last week, and, moreover, they were used on many occasions by Mr. Goodfellow before his last trip to England, when he affirmed that his object in going Home was for the purpose of stabilizing the prices of the New Zealand dairy-produce. The result of that gentleman’s efforts in regard to prices is a matter of history; but he does not use these words now. I submit that it is not in the power of any single organization to stabilize the prices of produce. It is doubtful if even an Empire combination could accomplish it, for it depends on the economic conditions of the world. If this, “to stabilize the prices of New Zealand produce,” be the object of the Bill I feel sure the Committee will recognize that the attempt is futile. The Bill has its relation to the price of butter on the local market. It is recognized as a dominating factor in fixing the price of butter and cheese for local consumption that the local price should be as near as possible to the parity of the London price plus the extra local cost of marketing and distributing. If the effect of the proposed Bill should be the raising of the price of butter and cheese—and that is its objective, although I do not admit that it will have that effect—but if it should realize its intention and the price for local consumption is thereby increased would not Parliament be in danger of enacting legislation for the benefit of one class at the expense of the rest of the community? I am sure this phase of the question will have the careful thought of the Committee. I have heard Mr. Grounds on three occasions—namely, at Auckland, Hamilton, and at Palmerston North. On each occasion his speech was lengthy and detailed, and he has a quiet persuasive way with him. I have noticed, however, that Mr. Grounds was compelled to alter his views considerably as he progressed, and his last interpretation of the proposals and intentions of the Board were very different from his first and from the statements of the Bill itself. His excursions into the realms of business have taught him a great deal, and I am convinced that he is not so sure now that the proposed Bill is exactly what he wants. The clauses relating to control and the question of finance proposed by Mr. Grounds are recognized to be at least dangerous; but it is maintained that the measure is justifiable if it improves shipping alone. In this connection it is interesting to analyse Mr. Goodfellow’s statement. Mr. Goodfellow informed us that his company controls one-fourth of the dairy-produce of the Dominion, of an annual value of four and a half million pounds sterling, and he stated that depression of prices is caused by simultaneous arrivals in the London market of large quantities from New Zealand, Australia, and the Argentine; and, furthermore, he stated that his company had been successful in raising prices

by holding shipments in London, securing a rise of a few shillings per hundredweight. It is admitted that the system of finance in operation makes the holder of the bill of lading—the Tooley Street houses—the owner of the goods, and anything that an agent may do can be only in an advisory capacity, and if the Tooley Street houses accede to a request to hold goods it would only do so on the undertaking that the whole cost of storage and interest is borne by the consigning company, and therefore a few shillings rise, if obtained, has to be discounted by the cost of holding, and all the time Australian and Argentine produce is selling and going on the market while New Zealand is withheld, consequently it may be assumed that the coveted gain is problematical. Further, this holding for a rise can be done by cabling as readily as by having a high-salaried official on the spot. From these facts I contend that the proposed London agency is more theoretical than practical—more likely to be expensive than effective. It has been contended that the Bill is in existence because the Meat Control Bill has been a success. If it was necessary to have a Bill for meat, I submit that that is no reason why one is required for dairy-produce. I would like to point out that the fact that the Meat Board has had no occasion to put its compulsory clauses into operation is a sound argument why such clauses are not required in another Bill. The Meat Board, so far—after nearly two years—has been able to do something towards a system of grading, and I submit there is no necessity for this in connection with dairy-produce. I may say that the Dairy division of the Department of Agriculture has had in operation for years a complete and adequate system of grading. The Meat Board has taken in hand the necessary arrangements for shipping; but this has not been necessary in the case of dairy-produce, as the shipping contracts have been made on behalf of the industry by the National Dairy Association, and no factory has so far repudiated the contract made by the association in question. That goes to show that the operating of a Meat Board, so far, shows no justification for a Dairy-produce Control Bill. There is another phase of the question which has been under my notice for some time, and though it applies to the Auckland Province only I think it should be mentioned. It is in reference to the influence of Mr. Goodfellow's company in the Waikato district. There are some fourteen small companies operating in and around the same territory, and I am conscious that a fear exists among a number of these small companies that the proposed Bill is an attempt to dominate their operations and level their payments with those of Mr. Goodfellow's company. I feel sure that the members of the Committee will have noted that Mr. Goodfellow repudiated the statement and the figures showing that the small companies were returning to their supporters as much as, and in some cases more than, his own company. He stated that his payment for the season just closed would be 1s. 6d. for butter—that is, superfine, direct delivery. The greater part of his cream is not directly delivered, nor is it all superfine, and therefore his average payment is more likely to be 1s. 5d. In this connection I desire to record the following payments by butter-factories for the same period: Omata, 1s. 6½d.; Levin, 1s. 6¾d.; Shannon, 1s. 8d.; Eclipse, 1s. 6d.; Midhirst, 1s. 8¼d.; Heretaunga, 1s. 6d. I wish to say, sir, that the balance-sheets of these companies are available to verify the figures I have just given. It is believed by most of the farmers connected with the small companies that the proposed Bill would not be to their advantage, and neither would it be desirable for the industry as a whole. So far my evidence has been largely destructive criticism; but I do not wish the Committee to think that I regard the present system a perfect one, or, on the other hand, that the position is hopeless. I desire, first, to get rid of the proposed Bill. I am fully aware that improvements are required in regard to the shipping conditions, because I realize the necessity for prompt despatch, especially up to December, and, moreover, I know the difficulty experienced in regard to the matter of arranging the lifting of produce at all ports, and the time required for ships on the coast. But, sir, I maintain these matters can be rectified to a great extent—not by legislation, unless as a last resort—but by a conference of the business heads of the dairy interests, shipowners, the New Zealand exporters, and the London agents of those concerned in the butter industry of this Dominion.

LAURITZ HANSEN examined. (No. 13.)

1. *The Chairman.*] What are you?—I am general manager of the Kiwi Dairy Company (Limited), 222 St. Asaph Street, Christchurch.

2. You wish to make a statement to this Committee, do you not?—Yes. I would like to say that when this Bill was first introduced into Parliament one year ago we sent out the following circular to our customers:—

Kiwi Dairy Company (Limited), 222 St. Asaph Street, Christchurch, 21st September, 1922.

DEAR SIR,—

Last week a conference of dairy factory representatives was held in Wellington to consider the adoption of a Dairy Industry Control Act. The conference represented some 130 factories, and decided to ask the Government for legislation on the lines of the Meat-export Control Act. This letter to suppliers is being sent to ascertain their views on this important question, so that same may be communicated to the Government.

It is proposed under the scheme to have legislation passed vesting the control in a Council of thirty and a Board of nine, who will have power to take control of any cheese and butter for export, and further power will be given this Board to levy on the produce for reserve fund, payment of salaries, commission, travelling-expenses, fees, and other remuneration to members of the Board or London agency, payment of interest, and other charges, and the balance (if any) would be returned to factories for distribution to dairy-farmer suppliers.

It is further proposed that the Council shall elect the Board, whereas we are strongly of the opinion that each province should elect its own representative, preferably by the suppliers themselves.

The proposal was adopted by a conference representing 130 factories out of 530 odd in the Dominion; and, as the Act proposed provides for nothing except the control of other people's produce, and the power to levy money for reserve funds which should be paid to suppliers, we are strongly opposed to the legislation.

Suppliers, this is your livelihood that is being dealt with, and we urge you to indicate by return if you favour or oppose the control of your produce by legislation.

It is to work through Tooley Street merchants, and the promoters suggest they can control them by this means. We doubt it.

We would support and ask our suppliers to support a proposal to market produce in London and elsewhere by the producers, but object to *compulsory* control of produce under legislation that vests the whole industry in the hands of nine people.

It is further asked that suppliers will send a letter or telegram indicating their support or opposition to the Prime Minister, and also the member for their district. Act early, as in a few days the matter will be before the House of Parliament, and advise us what you have done.

Yours faithfully,
KIWI DAIRY COMPANY (LIMITED):
L. HANSEN.

I would now like to refer briefly to the history of the promoters of the Dairy-produce Control Bill. Two years ago the North Island Dairy Association called a meeting of all the factories interested, which was held in Wellington, and 131 factories were represented. Out of the 131 representatives a Council of the number of thirty was appointed. On this particular occasion Mr. Grounds was not present, but I was at fault. Mr. Grounds stumped the country both in the North and South Islands respecting the Dairy Control Bill. I must say that Mr. Grounds is a first-class speaker, but to all appearances is a sentimentalist, and I submit that the Control Bill conveys nothing in any shape or form which points to success. I desire now to refer to the statement made by Mr. Goodfellow that he paid out 1s. 6d. and 1s. 8d. for butterfat last season, the former for butter and the latter for cheese. I maintain that Mr. Goodfellow's statement is incorrect. He may possibly have paid out 1s. 6d. at the highest point for one month, but it must be remembered that Mr. Goodfellow takes off some amount for freight, the same amount for his box-factory, the same amount for his coal-mine, dry-milk casein, and for the management, and the rest is paid to the farmer. Mr. Goodfellow also made the statement that he saved £50,000 by holding butter back on behalf of his company; but he did not mention that he went to London for the purpose of dictating to Tooley Street how he was going to sell his butter, and by doing so he lost £100,000 on behalf of his company for not selling it when he should have done.

Now, Mr. Chairman and gentlemen, I would like to say a few words to the Hon. Mr. Nosworthy. If he is desirous of doing something which would be of lasting benefit to the dairy industry he should pass legislation to the effect that all cows and bulls suffering from contagious abortion should be prohibited for sale, and, furthermore, the Hon. Mr. Nosworthy should pass legislation that all animals be dehorned from birth, irrespective of whether they are males or females. I heard the Hon. Mr. Nosworthy speaking in Dunedin on one occasion, and he mentioned that 95 per cent. of this Dominion's wealth was extracted from the ground. If he would come along and help dairy-farmers on the lines the Kiwi Dairy Company are endeavouring to help them, in procuring high-butterfat-producing sires, he would be doing something that would be beneficial to the dairy-farmers, and, moreover, it would mean that the quantity of butterfat from each cow would be considerably increased. I submit also that if the Hon. Mr. Nosworthy would endeavour to carry out what we are doing it would mean an asset of from £8,000,000 to £10,000,000, while the $\frac{1}{2}$ d. per pound which might possibly be derived from the Bill would be absorbed by the management. There is one other matter that I should like to bring under the Hon. Mr. Nosworthy's attention, and that is if he would come along and assist some of the poor returned soldiers financially, and endeavour to get money for them, he would be doing something on behalf of the industry. We as a proprietary company are endeavouring to promote the industry in the Canterbury District to the best of our ability, and we are not out to fill our pockets; but, as I said before, we want to assist the farmers to the best of our ability, and we are endeavouring to assist the farmers to the extent of getting high-rate-butterfat bulls, which will increase their butter returns to the amount of from 40 per cent. to 100 per cent.; and, gentlemen, if we can get butterfat production per cow increased to, say, 50 per cent., it would mean that a sum of £10,000,000 would be put into the pockets of the farmers of this country. We are fighting hard with the idea of getting a Bill put through which will probably give from $\frac{1}{2}$ d. to $\frac{1}{4}$ d. per pound extra to the producers, but at the present time, I submit, we are at the wrong end of the stick. Mr. Pacey made a statement with regard to the exchange of the Danish krone as compared with the English pound. To-day it takes 26 kroner to the English £1; par rate is 18·15 kroner to £1; and following the quotations on our butter we were receiving 160s. when the Danes were receiving 224s. in Danish money. I want to bring under your notice, gentlemen, that the Danes are receiving over 2s. 2d. per pound for their butter. Mr. Pacey did not make that clear when he was speaking on the matter. I would like to put in the following summary in connection with the voting with respect to the Dairy-produce Control Bill:—

	For.	Against.	No Record.
Auckland	19	29	19
Taranaki	19	42	18
Wellington (including Hawke's Bay, Marlborough, Nelson, and West Coast)	59	29	46
South Island (as per Mr. Grounds' figures)	89	38	..
	186	138	83

3. *Mr. Langstone.*] How would the exchange be in favour of Denmark if at one period you had only to give 18·15 kroner and to-day you have to give 26 kroner to the English £1?—As I said before, it takes 26 kroner to the English £1, and we were receiving for our butter 160s. when the Danes were receiving 224s. in Danish money: the Danes being the sellers, not the buyers.

4. You are representing a proprietary concern, are you not?—I am, sir.

5. I take it that if the farmers were to manage their own business it would not be in the interests of proprietary concerns?—No. I would like you to come down to the Canterbury District and see what is going on there, and I think you will admit that healthy competition is always good for trade. I may say that I take no notice of co-operative concerns down Christchurch, because we have none.

6. *Mr. Masters.*] What do you mean when you say that you have no co-operative factory in the South Island?—A lot of shares are held by bond or dry shareholders—that is, they do not milk the cows themselves.

7. Does that apply to every factory?—To every butter-factory. I may say that the proprietary companies were the pioneers of the dairying industry in Canterbury and elsewhere.

8. *Hon. Mr. Nosworthy.*] Do you consider that the Ashburton Co-operative Factory is a dry one?—Absolutely, sir: and a very dry one, too. With your permission, Mr. Chairman, I would like to refer to a particular point with reference to the statement made by the Hon. Mr. Nosworthy. Last year we got a Bill on the statute-book which made it compulsory for every factory to state the quantity of butter they manufactured and the quantity of butterfat they bought. It was particularly pointed out by the Hon. Mr. Nosworthy that they were “up against” the proprietary companies. I may say that the Ashburton Co-operative Factory’s balance-sheet last year did not show it.

9. They can be made to show it?—Anyhow, they did not, and I maintain that last year’s balance-sheet of the Ashburton Dairy Company did not contain the figures of the butter nor the cheese manufactured, nor the amount of the butterfat bought.

10. *Mr. Masters.*] In connection with the voting in the South Island, you show, according to Mr. Grounds’s figures, eighty-nine for the Bill and thirty-eight against the Bill: does that represent the votes of the people, or is it the actual vote of the factories? You say there were 186 for the Bill and 136 against the Bill?—Yes, that is so.

11. You got two votes against the Bill?—Yes. There are gentlemen on the other side who got two votes, and they represent only one factory.

12. I take it that these figures are not altogether reliable?—No, sir. There are thirty-eight factories in the South Island who have not given any evidence or voted one way or the other.

13. But that is more than the total number of factories in the South Island?—We nearly all have two votes, sir, but one or two small factories only have one.

14. *Mr. Hawken.*] Do you export butter?—Yes.

15. Is there anything else you wish to say before you conclude your evidence?—I wish to place on record the following letter that was written to the Right Hon. Mr. Massey from my company, dated the 10th October, 1922:—

Sir,—

10th October, 1922.

Butter Pool.

On behalf of our suppliers, who number about four hundred and fifty, representing approximately 400 tons of butter, we are requested to protest against any dairy-produce export control.

Circulars have been sent to every one of our suppliers, a number of whom have already communicated with you by telegram or letter protesting against any compulsory control; and we might also state that every reply received expresses the same opinion as those already communicated to yourself.

Commending this matter to your careful consideration.

We are, &c.,
THE KIWI DAIRY COMPANY (LIMITED):
L. HANSEN, General Manager.

The Right Hon. the Prime Minister, Wellington.

And I would like to place on record the following reply received from the Right Hon. Mr. Massey in connection with my representations with respect to the butter pool:—

Sir,—

Prime Minister’s Office, Wellington, 12th October, 1922.

I have the honour to acknowledge the receipt of your letter of the 10th instant, entering on behalf of the suppliers of the Kiwi Dairy Company (Limited) a protest against any proposal to control by legislation the marketing of dairy-produce exported from New Zealand, and in reply to say that your representations in this matter have been duly noted. I might state that a Bill dealing with this subject was introduced in the House of Representatives recently, and has been referred to a Select Parliamentary Committee, which will have the right to call evidence in regard to the proposal.

I have, &c.,

W. MASSEY, Prime Minister.

The General Manager, Kiwi Dairy Company (Limited), 222 St. Asaph Street, Christchurch.

I have here an article which appeared in the Christchurch papers in connection with the dairy industry, which I would like to have included in my evidence. It reads as follows:—

[*Lyttelton Times*, 5th July, 1923.]

THE DAIRY INDUSTRY.

In a communication which we publish in our “Commerce and Finance” page this morning, Mr. L. Hansen, manager of one of the large Canterbury dairy factories, suggests that dairy-farmers, especially in this province, instead of agitating for Government control of their industry on the semi-syndicalist lines of the Meat Control Board, should pay attention to certain fundamentals of their industry. He makes the point that whereas a governmental marketing bureau, even if it knew its business and could prove itself cleverer than the merchants of Tooley Street, might add a halfpenny a pound to the price gained for New Zealand dairy-products, there are much larger gains to be looked for through a possible improvement in the butterfat-producing capacity of the stock used in the industry. Last year this country exported 2,281,396 cwt. of butter and cheese, and a halfpenny a pound on that quantity would amount to a little over half a million sterling. Mr. Hansen gives it as his opinion that twenty times that amount can be gleaned if the dairy herds are improved. He says his company is prepared to assist farmers to improve their herds, and we take it that such assistance would be given by many other dairy-factory companies if the necessary ambition on the part of the farming community could be created. The dairy industry in New Zealand owes its existence very largely to governmental guidance and supervision. The development of this industry was one of the practical aims of the Liberals, and the success of their enterprise is now a matter for which Conservative politicians and Conservative newspapers are to-day assuming the credit. Surely Conservatism is bankrupt of ideas when its only plan of helping the agrarian community is comprised in schemes for making the taxpayers assume the trading risks of the farmers. We agree with Mr. Hansen that the best way to assist the dairy industry is to help it to equip itself with better stock,

and improve its output by the means which nature can provide. That is a direction in which the Government might with the machinery at present at its disposal, give valuable aid if it were so inclined, charging the cost to the industry, of course, not to the community. Action on these lines would be less fraught with possibilities of friction than to pursue the attempt which is now being sedulously made to bring the industry under cast-iron military discipline in respect to marketing. And, as Mr. Hansen has suggested, the results to be looked for are infinitely more beneficial than any which may be expected to flow from the setting-up of a Board of political nominees to gamble with the farmers' produce.

IMPROVING THE DAIRY INDUSTRY.

Mr. L. Hansen, manager of the Kiwi Dairy Company (Limited), Christchurch, writes as follows: I have read with some interest an article from one of the local factory-managers regarding the proposed dairy-pool finance, and the estimated percentage of advances to dairy-farmers, should the Dairy Control Bill become law. Now, with regard to this particular article, the whole thing is simply a waste of words, inasmuch as it does not deal with fundamentals. Even supposing the Dairy Control Bill would possibly bring us in $\frac{1}{4}$ d. per pound more for our produce, it would cost that amount for its management, and the returns to the producers would be nil. Let us therefore get down to the root of the matter—the dairy-farmers. It is absolutely essential for the progress of the industry—especially as far as Canterbury is concerned—that we procure better-class dairy herds. This can only be done by introducing a high milking-strain of bulls. If we can produce 270 lb. of butterfat per cow instead of 150 lb., as the cows in Canterbury to-day are producing, it would mean an asset to the industry of over £10,000,000, spread over the whole of New Zealand. Canterbury is the Mecca of New Zealand. We produce the finest wool, mutton, and beef, and we also have a poultry industry ahead of any other district in the Dominion. We produce, too, cereals and potatoes for the whole of New Zealand; but the dairy cows, I regret to state, owing to the poor milking-strain used by the farmers, show the lowest records for the Dominion. As far as Canterbury is concerned, the dairying industry is the one which is most neglected. We, as a company, are prepared to go out to assist the farmers in procuring sires of a high-milk-producing strain, which would, in three years' time, increase the production according to the number of good sires introduced. It is only a matter of time when there will be, on the British market, a very fierce competition in the butter industry, and by going to the assistance of the dairy-farmers financially and educationally—as to the desirability of using the best sires, the care of cows and calves, and the selection of feed giving the highest nutriment—we shall be doing something of lasting benefit to the industry.

The pork industry can be made a very important industry for Canterbury. We have the facilities, and without a doubt can breed and produce the finest pork and bacon for export to Great Britain. Every year thousands of bushels of cereals are rejected which could be utilized for fattening-off the pigs. We understand that at the present time the Canterbury Frozen Meat Company are buying pigs from the farmers for export, and they are to be congratulated on the steps taken. Nevertheless, it is a very dangerous matter to commence exporting pork to the British market unless it be properly fattened and of a type acceptable to the British consumers. Most of the pork in Canterbury and elsewhere is fattened off with slop feed, and hence it is wanting in firmness, colour, and flavour. Slop-fed pork twists and turns when being fried, is tough in texture, and if kept for any length of time turns sour and becomes green in colour. For British consumption properly fattened pork of a desired breed is required. The Danes at the present time are exporting 55,000 hogs per week, and the pork industry in that country has superseded the butter industry in £.s.d. May I suggest, sir, that it only requires the assistance of your pen in conjunction with the industry to bring prosperity to our Canterbury farmers. The Farmers' Union have formed a dairying committee, and we sincerely hope that the Press will work in conjunction with the dairy factories and all who are taking a live interest in this vital business in promoting a competitive interest amongst the dairy-farmers and in fostering the formation of testing associations, the grading of cream, and the appointment of dairy-farm instructors.

I wish to make a correction with respect to the evidence I have given, sir. I made the statement that Mr. Grounds was not present at the Council meeting. I was misinformed, as Mr. Grounds was present at that meeting.

16. *Mr. Field.*] Assuming the large factory exercises one vote only, what would be the result if the thirty-eight factories that did not vote had voted?—I could not say, because I do not know how many of the small-factory directors had only one vote, or whether they would be for the pool.

17. *Mr. Hawken (Acting-Chairman).*] You say that you do export butter?—Yes; three thousand boxes or more.

GEORGE GIBSON examined. (No. 14.)

1. *The Acting-Chairman (Mr. Hawken).*] Do you wish to make a statement?—Yes. I am a director of the Rahotu Dairy Factory, and appear on its behalf. It is my privilege as well as my duty to appear before you in direct opposition to the proposed Dairy Control Bill as a representative of the Rahotu Dairy Company, and also on behalf of other individual suppliers of the factory. A meeting has been held, the matter has been placed before them, and without exception they are all against the passing of this Bill. I think the Committee will readily agree that this is a position one has some reason to be proud of, as the evidence that has been submitted to the Committee indicates that there are not many cases where the suppliers to a factory are unanimous on the subject. I have been some thirteen years only in this country, and part of that time—twelve years—I have been the director of a factory. Previously I was a farmer in the Old Country; so that I can look at the question from a dual standpoint. I wish to give you not only my own personal opinion, but, as far as I can, the opinions of my fellow-directors and suppliers. In fact, if it had not been for my duty at the company and the suppliers—working-farmers—I would still have been on the farm trying to forward the production of the Dominion. My suppliers—I am here to speak directly for them—wish to call attention to the methods which have been adopted in rushing this Bill along. I am not so much concerned with the non-carrying of the Dairy-produce Pool Bill last year, but I do wish to stress the point which has been raised as to the hasty and rash methods followed by the promoters in presenting the scheme to the public. My suppliers heard that after the Committee had considered the Bill last year the promoters considered it dead, and if the Committee on that occasion did not foster that idea they certainly never contradicted it, and naturally the great bulk of the suppliers thought that was the end of the matter. It was therefore somewhat of a surprise when it was found that the Bill had come to life again. In the circular issued to all dairy companies, signed by Mr. Grounds and Mr. Brash, marked "Confidential and not for publication," it was stated that it had been decided by the Dairy Council to press forward and secure the passage of the Bill, that the question had been before the dairy companies for some considerable time, and that no doubt it had

been the subject of much careful consideration on their part. There was no consecutive consideration of the measure, and I consider that in a certain measure faith has been broken with the dairy companies and their suppliers. I will leave the matter there, because I do not think it is a very satisfactory way of pressing forward a Bill by stating that it has been seriously before us. If such had been the case it would have received our continuous and careful consideration. Suppose we assume that the promoters knew that the Bill was not dead and was to be resurrected, surely it is reasonable to believe that the most careful consideration had been given to it by its promoters, that the scheme would have been reorganized and would have been presented to the producers in the amended form. Would not the amendments suggested by the Committee of last year have been inserted? But under the present Bill we find that that Committee's recommendations have been put aside, while other powers have been reinstated in the measure, thus nullifying its effect. This action seems rather a reflection on the parliamentary Committee that dealt with the matter last year. We further say—I speak strongly on behalf of my fellow-directors—that this scheme, dealing as it does in such a radical way with the leading industry of the Dominion, requires long and thorough investigation. In the promoters' own words, "the scheme requires the exploring and testing of every available source of information." We consider that every possible means by which the desired reform might have been obtained, by ordinary business methods and free negotiation, should have been tried before even legislation of a permissive nature was asked for. We further contend that the premier position of our industry, and its far-reaching effects upon the whole industrial and commercial life of the country, as well as upon the farming community, render this course absolutely imperative, and that, further, the ramifications of the industry provide a simple source from which the necessary information can be gleaned. Instead of pursuing this reasonable and business-like method, the promoters have adopted a policy something akin to the old proverb of "acting in haste and repenting at leisure." Vague and contradictory statements and a continuous change of ground have been made and taken place, which all goes to prove that the promoters have failed to realize the task in front of them, and have failed to equip themselves as they ought to have done before entering upon such an elaborate scheme. In one sense they seem to have deliberately avoided acquiring information from easily available sources, as they have all along discounted consultation with the commercial side of the industry. So they have failed to realize that only by the most methodical inquiry could the facts be obtained. Moreover, it would appear that they have not grasped the provisions of the Bill itself, or, if they have, they are guilty of something very closely allied to misrepresentation. I will prove that statement by the following quotations: Mr. Morton, Chairman of the National Dairy Association, stated, alluding to the Board, "the other nine members would be elected by the producers." Mr. Grounds, at the North Canterbury meeting, said, "It would be seen that the producers would have the matter entirely in their own hands"; but when questioned he replied that "the dairy producers would not individually elect the Council." The fact is that the producers could not and would not have any control or voice in the matter beyond something so hazy, vague, and distant as to be for all practical purposes non-existent. How is any change desired in regard to the Control Board to be secured? According to the Bill the Board will consist of eleven or twelve members, nine of whom are to be appointed by the present Council. The permanent officials would be appointed by the Board. What has to take place before we get a change? Suppose, for instance, the management of this Board was not satisfactory and things became worse instead of better, we would have no practical power to change that Board, as a change would have to be fairly promptly made to be effective. The Bill provides for the Council being elected yearly by the factory directorates. So the first thing we have to do is to set about getting a very radical change in the Council itself, and if the suppliers, or factory directors, were successful in forcing a change, only three new members could be appointed to the Board—three out of eleven or twelve—a very small minority. At the end of another year, if the same thing went through again successfully, another three new members could be placed on the Board at the very utmost, and either half or a bare majority would result. So that under the most favourable circumstances two years would elapse before the barest chance of an alteration would be possible that would be likely to be effective. Even then we would be up against the fact that the Board's permanent officials would be in office, and the terms of their appointment might possibly preclude their instant replacement. Can the promoters assert honestly, and the Committee accept their statement, that a procedure such as this places effective control in our hands? Further, Mr. Grounds at Hamilton pointed out that "the Bill specifically set out that compulsion would be limited, or absolute, according to the will of the suppliers." I think there must be a mistake here; otherwise it is a misstatement, because there is nothing in the Bill to provide for this power. The opposite is the case—it gives absolute power to the Board without reference to any one. Then we get that strange contradiction at Stratford, where my friend Mr. Maxwell asked the question whether an assurance was given to Sir Thomas Clement expressing the Council's intention of not interfering with the present system of marketing and distribution. On that point local evidence has been put before you, and I am not going to stress the point beyond saying that I asked this question at Stratford personally: whether it was not the fact that Sir Thomas Clement had expressed his opinion most decidedly against any interference; and I received no answer. I asked it the second time, and it was ignored, at the same meeting. I again asked the same question at Palmerston North, and again it was ignored. I think, gentlemen, you can draw your own conclusions. In connection with this assurance I will quote the following statements: Mr. Grounds at Hamilton pointed out that "it would not be compatible with the principle of control to permit a factory to consign on its own account, no matter how good an offer it had." Mr. Corrigan, M.P., said we would save the £100,000 they were now paying the agents. Mr. Grounds in North Canterbury and Stratford made a great deal of their intention to "cut out the speculative manipulator." What does all this mean if it does not mean interference with the present channels

of marketing and distribution? If a factory cannot accept any offer—is not to be allowed to do so—surely that is interference. And who is to be the judge of who is the speculative manipulator? I think the outcome of the position may possibly be, if it means anything at all, that the present channels of distribution will be reduced to a favoured few. Again, at New Plymouth last October Mr. Grounds said, “Prices must be arranged with the selling agent in London . . . Advances could always be arranged even if there was a hitch in negotiations with the big firms.” Mr. Morton at the same place said, “One of the great merits in connection with the scheme was that the produce would be sold as New Zealand produce irrespective of brand or factory.” Mr. Grounds further said, in North Canterbury, “The only sound course could be based on equal price for equal grade.” Sir Thomas Clement was most emphatic in stating that elimination of brands would be fatal to our industry; and in the same connection Mr. Goodfellow says, “Universal brand—sell according to grade only.” Further, Mr. Grounds at Stratford said, in reply to questions, that “the ideal to be worked up to ultimately was a uniform brand, and one control of marketing.” I think, gentlemen, I have said sufficient, without labouring the question, to show to any reasonable body of men that this scheme has been gone into hastily, without anything like the consideration due to it, and that the result has been to cause its promoters to be constantly amplyfying, curtailing, and remodelling, just as the case demanded. There is one point I would touch on which strikes our suppliers very pertinently, and on which they have expressed themselves very forcibly. That is the method of financing, as set out by the promoters. There is no doubt that a good deal of support was obtained for the Bill—at least for the shipping aspect—on the assurance given by the promoters that there would be no difficulty in regard to finance. Both in the North and the South Island the Chairman and Mr. Grounds at various centres gave the assurance. I might quote one instance that occurred at Leeston, where, according to the *Ellesmere Guardian* of the 9th June, Mr. Grounds said: “As a result of inquiries made by himself and other members of the Council from the Associated Banks they had been assured that there would be no difficulty in arranging the Board’s finance through the Associated Banks.” Mr. Grounds, at Stratford, according to the *Taranaki Daily News* of the 16th June, said: “The Associated Banks have been interviewed by members of the Council and they were of the opinion that satisfactory finance could be arranged.” In addressing a meeting held under the auspices of the North Canterbury Farmers’ Union Executive Mr. Grounds used the identical words I have quoted, and in answer—

Mr. Burnett: Could not the witness confine himself to expressing his own ideas on the subject?

The Acting-Chairman: I do not think I should bar him from supporting his own views by these quotations.

Witness: I am verifying the statements I have made from the reports of meetings addressed by Mr. Grounds, but I do not need to adduce evidence in support of my own suppliers’ opinions. I speak for them. In addressing the meeting referred to, in answer to a question on the matter of advances, Mr. Grounds said: “It would not be less than 80 per cent., unless it is found desirable in the interests of the industry that a certain portion should be stored to secure continuous supplies, as advocated by the leaders of the industry in London, when the advances would be smaller—say, 70 or 75 per cent.” I submit that nothing could be much clearer, or more definite, than these statements, and many who were in doubt as to the effect of control on finance have on the strength of them voted for the Bill. Now, what happened? The bubble burst in the shape of an announcement in the Press which stated that “the question of finance for a dairy pool has not been discussed or considered by the Associated Banks, and no undertaking has been given or can be given until they have had an opportunity of discussing the pool.” It is a most interesting situation, and, may I add, a very regrettable and pitiable situation, that the great industry we have built up here—New Zealand’s premier industry—should be landed in a position like this, and it is in fact almost outside the bounds of parliamentary language to describe it. Mr. Grounds later on made this statement: “If we are going to work with Tooley Street houses there should be no difficulty about finance.” That is a very strange and contradictory assertion from the point of view I have quoted. Further on again, at Stratford, on the 15th June, Mr. Grounds said: “They had recognized there were disabilities in financing through the London houses, and consequently inquiries had been made and satisfactory arrangements could be made through the Associated Banks.” The Associated Banks being buyers, there was a possibility of financing through the London houses, and as the individual buyers were working with the London houses there would be no difficulty. At Leeston Mr. Grounds had previously stated, “It had never been said that finance was to be arranged by letters of credit set up by the London merchants.” At Stratford another member of the Council, at a meeting on the 24th May, rather elaborately went into the scheme of financing by letters of credit, which would be handed in by the Tooley Street merchants to the Board, and in turn passed on to the different factories—the finance would be established from that. In the face of this I asked Mr. Grounds whether he was giving his own personal opinion, or whether he was speaking as the mouthpiece of the Council, and he replied to the effect that he was giving his personal opinion, and anything he said would be endorsed by the Council as a body. I drew his attention to the remarks made by Mr. Corrigan, who was a member of the Council, but Mr. Grounds did not vouchsafe to make any reply. Speaking generally, it would appear that in the body of men already set up to determine this matter apparently there is a wide divergence of views, and it would be, to say the least, very unwise to commit to their hands such a vast business as the control of our industry, representing, we have been told, a value of £16,000,000 annually. A statement has been handed in by a previous witness as to the factories for and against the Bill. This statement is not guaranteed. And further, at the Stratford meeting on the 24th May the proposal was carried by a very clear majority that the question be postponed for a month, and that the Taranaki factories should vote on it. I may say that the return of this voting has never been sent in. A circular was sent out asking that the votes should be

recorded at once, as the time, from the 24th May to the 24th June, included the date of the Palmerston conference. But I submit that is not a valid excuse. As one of the deputation set up by the opponents of this Bill I have waited upon Mr. Brash and Mr. Grounds with a view to obtaining this information, and I submit that when any gentleman accepts the position of returning officer in connection with the voting on such a question as a dairy-produce pool he should declare the results of the voting. The mere acceptance of such a position should imply that the declaration of the poll would be made in due course. I submit also that we are being unfairly and unjustly treated in this matter when we are told that Mr. Brash has not been instructed to make the declaration of the poll, because, having accepted the position, he was in honour bound to make the return of the voting. It has been argued that some factories voted by proxy, as they were asked to do in the form sent round. Others voted at the Palmerston meeting. Surely it could not be contended that their votes were not recorded, or that the proceedings could not be regarded as exactly regular. The proxy votes could have been tabulated as quickly as the votes at Palmerston, where the voting was by the straight-out vote. And had a factory voted twice over it would have been put down as only one vote, and counted accordingly. Further, Mr. Grounds and Mr. Brash intimated that as soon as the list of factories for and against was available they would try to get them, and they admitted that it was practically impossible to obtain a true record for the South Island, but that a record would be handed to me personally as soon as the lists were sent to the Committee. But up to the present I have not received it, and I naturally presume the Committee has not either. I accept the statement the previous witness has handed in, but I say at once that we do not guarantee this statement; but as far as we can get at it it represents the feeling, as recorded, of the factories. In Taranaki there is one if not two factories whose votes are taken as having been recorded for the proposal, when, as a matter of fact, they are not absolutely in favour of it. On the word of the chairman of the factory at Mangatoki, I understand that at a meeting of the suppliers there he was not allowed to go any further in support of this Bill beyond the shipping question, but the vote there has been recorded as entirely in support of the Bill. Another question which has touched our suppliers up is that of the regulation of supplies. We are a cheese-factory making between 500 and 600 tons of cheese, and in the winter we make a little butter. In this connection I would refer to a statement made by a gentleman who has carried on an extensive grocery business for a number of years. I know something about this business personally. He states that the margin between Danish and New Zealand butter is very much bigger in winter than in the early summer. In January and February, he said, he would practically buy no Danish butter, but he would purchase New Zealand freely, because in those months Danish was very scarce, and not enough was available for his requirements in the district he operated in. Those who have farmed in the Northern Hemisphere, where I lived all my life prior to coming to New Zealand—in the north of England—know that the output of Danish butter is greatest when the output of English butter is greatest—during the summer months from April to the end of August. During the winter, although butter is made in Denmark and England, it is made in a much less quantity, and at a correspondingly greater expense, because the cattle all have to be housed. This gentleman, who has been in the business, emphasizes the necessity of prompt supply, and he points out that a large quantity of our butter is on the market when Irish butter was in abundant supply, but the latter was not a large amount, and did not affect the position. It was put on the market as “fresh creamery,” whereas ours is, of course, “frozen.” Naturally the fresh butter demands a higher price. I can testify to that fact, as were I to go Home to-morrow I should be as welcome in the homes of the working-people as I am here. I know the miners, quarrymen, and labourers in the North of England, as I have lived amongst them. I know them and their friends, and if there is one thing above another they desire it is fresh butter. My friend makes this statement in that connection: “During that period the fresh Irish butter commands a better price. During the summer-time the Danish comes first, Irish second, and New Zealand third.” The Irish can only make butter during a very limited period of the year, and then they go off. In the winter the order is reversed somewhat, because Danish still comes first, the New Zealand comes next, and Irish last. He further points out that, owing to the keen competition, if there were a thousand pools the grocer would still go to his merchant, on account of the efficient manner in which many houses provide supplies of butter, and so help the retailer over his difficulties. He asks a pertinent question regarding this pooling business—whether Tooley Street has nothing else to sell but New Zealand butter and cheese. Those classes in the North of England I have indicated are our best customers, and I hope we shall not lose them. The very first idea that those vast consuming classes in the North of England would have, if this pool were carried into effect, would be that the pool would endeavour to raise the prices of the food they use. However, our suppliers are very much against the Bill. They say it has proved unnecessary, and they ask why is it not proposed to apply the idea to New Zealand and its people in the first case, on the ground that “what is sauce for the goose must be sauce for the gander.” We say it is not right to interfere with the food of the people in New Zealand, and therefore it cannot be right to interfere with the food of our fellow-citizens at the other side of the Empire. A good deal has been heard of the question of loyalty, and the necessity of standing together. We must remember that we are all citizens of the Empire, and therefore we in New Zealand should do nothing to antagonize our fellow-citizens in other parts, but do our best to conserve amicable relations between all sections of Britishers. That reminds me that our suppliers are very strong on this point. You, sir, stated in addressing a meeting in Stratford that many of the producers did not want the existing channels interfered with, as they were satisfied with them, and added, “I must confess that their confidence in the present channels has not been misplaced.” As that is the case, and as this great industry has been built-up on the lines of confidence in the present arrangements, we say the proposed change is altogether too radical, too far-reaching, and the industry is too important to justify any experiment. There is another matter still I would like to

touch on, although it does not affect our own factory very greatly. I move amongst the returned men, and our factory is an outlet for them, and in regard to the monthly pay-outs, and supposing that by control 1d. a pound could be gained, there is no doubt that a certain sum would be held back from the pay-outs, and the very essence of business and of life to many of our working dairy-farmers at the present time is prompt payment. If they gained the 1d. and payment were held over for four or five months, those men would be in a worse position than they are in now, because they would not get their money promptly and would have to pay higher interest in the meantime. Advances would be entirely discounted. This, sir, is a question very closely affecting the matter, and ourselves. Mr. Goodfellow in his evidence said in effect that what was paid out depended on speculation. Further, it has been suggested very freely that no single factory could make better bargains, or produce better results, than when the whole business was done by marketing. But I submit that, instead of levelling up the prices, this pool will result in a levelling-down. In addition to the figures put in this morning in regard to the pay-outs made by different factories, I submit the following balance-sheets of the Rahotu Co-operative Dairy Company—to the 31st May, 1921, to the 31st May, 1922, and to the 31st May, 1923. [Balance-sheets put in.] I have also to bring before you the following letter, signed by the chairman of the company. It is dated the 23rd July, and is as follows:—

DEAR MR. GIBSON,—

Enclosed please find a letter signed by the chairman of this company with regard to the Dairy Export Control Bill.

Tarurutangi Co-operative Dairy Company.

Yours, &c.,

H. D. TUNBRIDGE, Secretary.

This is the enclosed letter:—

DEAR MR. GIBSON,—

I am instructed by the suppliers of this company, numbering forty-two, to oppose absolutely the passing of the Dairy Export Control Bill in its present form. We oppose compulsion in any form, but we are in favour of a Produce Board being formed, the members of which should be elected by producers, and should retire every three years. We understand that the proposal is steadily losing ground for a Dairy-produce Export Control Board, and that where the position has been made known the opposing factories are steadily increasing in number. We think that this matter should have been referred to every individual supplier of a dairy company, when we feel sure it would have been defeated by a large majority.

Those are the unanimous view of the Chairman and suppliers at the factory at Tarurutangi. A statement was made at the Committee last year that the supporters of this Bill were in the ratio of something like three to one. Supposing we add the eighty-three factories of which you have no record to those in favour, the ratio would be not more than two to one. Regarding balance-sheets, a statement was made that there are certain factories which produce balance-sheets showing pay-out of so-and-so for the year; but that is only the gross pay-out. As pointed out, there are many repayments made. The balance-sheets I have submitted show a net pay-out for the year after all payments have been made. For the year ending 31st May, 1922, the Tarurutangi Dairy Factory paid out a very small fraction under 1s. 7d. a pound, but which I believe was a record payment for New Zealand produce last year. That factory is a butter-factory, and is supplied by home separators, and the cream is delivered to the factory by the suppliers. The same factory this year pays out—not for the payment of cheese; this is entirely a butter-factory—just over 1s. 8½d. a pound for butter.

2. *Mr. Masters.*] No casein in that?—No; home separation.

3. Do you know whether it was consigned, or sold?—I think it was consigned.

[With reference to the balance-sheets of the Rahotu Company for the last three years, I may say, in direct contradiction to the statements made that the single dairy factories cannot produce such a good financial situation as a combination of factories, we have been paying out this year 1s. 8d., and last year we paid out 1s. 3½d. The year previously we paid out 2s. 8½d.

4. *The Acting-Chairman.*] Do you sell or consign?—Generally speaking, we are sellers.

5. *Mr. Masters.*] Do you make cheese or butter?—We make butter during the winter season, but we are a cheese-factory.

6. At a meeting held at New Plymouth certain delegates were appointed to go to Wellington | Mr. Brown, Mr. Sangster, Mr. Woolridge, and Mr. Connett. Do you remember that meeting?—That would be the first meeting. I know that five were selected.

7. Is it not the fact that Mr. Brown's factory is now opposed to the Bill?—Yes.

8. Is Mr. Sangster's factory now opposed to the Bill?—Yes.

9. Is Mr. Connett's factory opposed to the measure?—Yes.

10. So that three out of four delegates who went to Wellington to represent that meeting are now opposed to the Bill?—Quite correct—five of them, in fact.

11. *The Acting-Chairman.*] I see in this balance-sheet that you pay a bonus of 5d. a pound?—No, sir, we paid out 1s. 6d. to the end of the year, and from the end of the year we made an advance of 1s. 3d. On this last period there is an advance of 5d. Over the whole period there is an advance of 2d.

12. Your supplies must be in good order?—The suppliers participate in the benefits, and we try to do the best we can for the company. We like to keep down the interest as much as we possibly can.

13. *Mr. Langstone.*] Of course all forms of compulsion are more or less obnoxious?—Certainly.

14. Grading and branding, and that sort of thing, has always been opposed to a great extent by a number of people, although it might be in their own interest?—To a certain extent; grading is really a setting-up of a standard, but we are not very much opposed to that idea. But with regard to this Bill we say that our suppliers have the right to the reward of their own labour.

15. But compulsion in regard to branding has not been found detrimental to the farmer as a whole, has it?—Certainly not, but it only sets up a standard for the food of the people and does not influence the cost of living.

16. We have the same thing with regard to education, where a lot of people opposed compulsory education in the first instance, but it is now found to be a good thing. Is that not so?—It is a good thing. We do not think it is universally agreed to, but where it has been enforced, as the grading is, it has no doubt proved beneficial.

17. Even in such matters as this is it necessary?—In respect to the Government of a country it is.

18. Of course everything is getting highly organized to-day, is it not?—Yes, and there have been some disastrous results from over-organization.

19. You do not think the Bill should be made in any form compulsory?—No. I agree with other speakers in regard to shipping, wherein something must be done, but I think that can be done quite easily voluntarily. Our industry represents such a large number of units that it is a most difficult matter to arrange to carry it on under a pooling scheme. Regarding the Government nominee, the question has been raised of whether that would be necessary if the Bill passed. Such a provision looks as though we could not look after our own affairs; but I am inclined to view it in a different light to some people, and accept the provision if we have to have the pool.

20. *The Acting-Chairman.*] Do you wish to add anything?—No. I have to thank you for the courteous hearing we have received. We recognize the difficulties you have in this matter, and again I thank you.

ARTHUR MORTON examined. (No. 15.)

1. *The Chairman.*] Do you wish to make a statement?—Yes. I am the president of the National Dairy Association, and I wish to contravert a great many of the statements made in connection with that organization, particularly in regard to shipping questions, and contracts which have always been entered into by our association and the South Island Dairy Association with the shipping companies for the carriage of butter and cheese from New Zealand to London. Those contracts have been loyally supported by those in the industry, but I believe it has been suggested on behalf of the opponents of this Bill that the association has full power to bind the industry, and has sufficient control over it to enable it to make contracts binding on it accordingly.

Mr. Masters: That has not been said, Mr. Morton.

Witness: If not, then I withdraw that statement, and leave it. The statement I will deal with, however, is that the two associations have sufficient power to make contracts on behalf of the industry which would be binding. That is not so; and, although we have had good support from the industry throughout the Dominion, the contracts we make cannot be enforced upon any dairy company against its wish. In every case where the company has agreed to the contract it has been supplied with a copy of the same, and has signed it. That was the case in the early days of the contracts, but of late that practice has not been carried on, and the dairy companies have not been asked to sign contracts, although there is a clause in them suggesting that the association should get the signatures of the members of the companies affected. The great weakness of the association in this matter is that they are practically bound to make contracts with companies that are trading to New Zealand. It is practically impossible for them to offer a contract to or endeavour to bring an outside firm of shipowners here, because the association has not got the control of the stuff. We cannot treat with a shipping line if we have not got the produce absolutely under our control.

2. *Mr. Forbes.*] Could you go outside if you had control?—Yes. If the two associations had the control of the whole of the dairy-produce of New Zealand they would find it perhaps to their advantage to approach a shipping line that is not trading to New Zealand, and to say to them, "We have this stuff for which we are prepared to make a contract for its carriage to London, or elsewhere." But we are not in that position to-day. Supposing the association went so far with an outside shipping firm as to ask them whether they were prepared to carry dairy-produce from New Zealand the question asked would be, "Have you the control of that produce, and the right to make a contract for the carriage of the whole of it, and if such a contract is made can it be enforced on the whole of the people wanting that produce shipped away?" And I am afraid the answer would be "No, we have not the power to make a contract of that nature." If negotiations were entered into with another shipping line outside the present lines the negotiations could be broken up immediately by the present companies carrying our goods, or by any other company coming in and quoting a lower price, because we have not the power to bind; and the present shipping companies know we have not the control of the stuff. It has been suggested that the association should have made, and could have made, better arrangements with the shipping companies, and could have insisted on better terms with them. I can only say in that respect that the association for years past have done the utmost it could to make arrangements with shipping companies for the carriage of dairy produce. But we have been up against this fact—that there is no competition to-day for the carriage of dairy-produce from New Zealand, the whole business being in the hands of three firms who are in combination the one with the other. The business is practically under the control of one man, Lord Inchcape, and we cannot get outside competition because of that fact. I do not say that the shipping companies have not done a great deal to meet us, because I must admit they have done a great deal in that respect; and they have done as much occasionally as they possibly could under most difficult conditions. They have not yet been able to get back to pre-war conditions. It is true that they were not then carrying anything like the quantity of stuff they are to-day, as our production then was comparatively small. At the present time they are asked to carry a largely increased quantity of produce, and they are still labouring under the difficulty of conditions which arose in the war period, and which have not yet disappeared, and consequently are unable to conform to the old conditions respecting the

carriage of our goods. Further, they have increased difficulty since the pre-war times, in that after the war the cargoes from New Zealand greatly increased. The boats that carried our produce also carried frozen meat, and the export of meat has been spread over a largely increased number of loading ports since pre-war times. There has been more difficulty in loading at this end than there was in pre-war times. All these things have combined to make it more difficult to get a regular despatch, and consequently there has been a considerable amount of dissatisfaction. I suggest to this Committee that as far as the two associations are concerned they have at no time neglected their duties in the matter of contracts with shipping companies, but have at all times impressed on them the necessity of carrying the produce with regularity, despatch, and in good condition. If there has been any fault in that respect it does not lie with the associations. If there had been in existence a Control Board which had absolute control over the produce, and the power to make contracts with the present or other shipping lines, there would be a far better chance of favourable terms being made in respect to rates and conditions of carriage than exists to-day. I do not think I need say any more on that point, as I think I have made it clear, and probably others will speak on the subject. I wish now to refer to a statement made this morning, which is the first meeting I have been able to attend, and which I want to contradict or explain away. I think it was Mr. Leonard who referred to the pay-outs of factories, and stated that the Midhirst Company had to pay 1s. 8½d. for butterfat without casein. Mr. Masters knows that that is incorrect, or he should know it. I had a statement made to me by the secretary of that company a day or two ago that they were paying 1s. 7½d. on butterfat, and 2¾d. in addition on casein, and they would probably pay another ¼d. They did not pay 1s. 8½d. for butterfat. Even supposing they paid 1s. 7½d., which is the figure the secretary gave me, it is easily explained. My people were aware this company had sold its autumn output, from February to March, at prices ranging from 1s. 6½d. upwards. They did not consign the whole of their butter. Factories who consigned butter are paying out something under the uniform price of 1s. 5½d. to 1s. 5¾d., and those factories that sold are paying for butterfat according to the rate at which they sold their butter. Midhirst sold butter at from 1s. 6½d. to 1s. 7½d., and they had so high an opinion of it that they refused 1s. 8½d. for a portion of it. The Omata Company have been quoted as paying out 1s. 6d. They sold a quantity of autumn make at 1s. 7d. Mr. Gibson mentioned another factory, Tarurutangi, as having paid 1s. 8½d. this year. I want to know if Mr. Gibson can quote the overrun of that factory, because on the amount of the overrun depends the amount of their payments. Further, I would like to ask Mr. Gibson if they exported all their produce and consigned it? I am told that this company exported only one-fifth of their produce, the other four-fifths being sold on the local market. I would particularly like some information to be obtained as to the overrun of the Tarurutangi factory. Their overrun last year was 23·7: they do not publish the overrun in this year's balance-sheet—the suggestion is that the overrun is nearly 25. So that on that basis the payment might easily work out at 1s. 8½d., as the whole question of payment out is determined largely by the overrun and the condition as to sales. I do not think it is fair to bring forward this matter of the prices, for the reason that you have to take all circumstances into consideration.

Mr. Masters: It was done to combat Mr. Goodfellow's statement about his factory.

Witness: The factory Mr. Gibson mentioned has probably paid a higher figure than any other factory this year because so little of their produce has been exported, most of their butter having been sold on the local market, and because it might be also that their overrun is beyond all reason. Last year a supplier asked the question of the chairman at the annual meeting, and the reply was that it was 23·7. Mr. Masters knows well from his acquaintanceship with dairying that a company that has 23·7 of an overrun is not acting honestly by its suppliers. Mr. Singleton will tell you that no factory working on home separation can produce an overrun beyond 21·5 without doing injustice to its suppliers. As to the computation of these tests generally, the manager of this particular factory used to manage another factory in Taranaki, and he used to get 21 per cent. on all milk. Mr. Gibson has quoted his own factory at Rahotu, and states they have paid out 1s. 8d. this season; but I can put in to the Committee the balance-sheet of a Taranaki cheese-factory which consigned all its produce, and whose pay-out this year was 1s. 9¾d. The chairman of the Normanby Factory informed me, when he handed me the balance-sheet, that their pay-out was 1s. 9¾d., and it might yet be over 1s. 10d., because they took in butter which was unsold at 140s., and the cheese at 80s. He also said they were paying out over 1s. 10d. this year. So that the 1s. 8d. that Mr. Gibson said was the pay-out for Rahotu seems small in comparison with those figures. I do not propose to quote these figures for the purpose of putting forward any argument in support of the Bill: I will leave that to others. I am not one of the executive of the Dairy Council, although I am on the Council. The executive has the matter in their own hands, and I am not going to infringe on their prerogative in that respect. I do not propose to say anything about the Bill itself. I will, however, mention another matter in connection with shipping contracts. When the last pre-war contract was made in 1913 with the shipping companies practically the whole of the firms in New Zealand that exported dairy-produce issued a circular to all the dairy companies in which they roundly condemned that contract, for several reasons. The main condemnation of the contract on behalf of the exporters was that the exporters themselves had not been a party to the contract. This circular was brought before and discussed by a conference at Palmerston North two months afterwards, and the contract then received the unanimous approval of the industry, and the conference strongly resented the attempt on the part of the exporters to in any way interfere with the work of the associations. It also resented the action of the exporters in insisting that they should be consulted in the making of contracts. It also enforced the principle that all contracts in connection with the carriage of dairy-produce should be made entirely on behalf of the producers and suppliers. The full references to that discussion may be obtained. That was the last

pre-war contract, and since then, whenever the associations have had to make a contract, they have as a matter of courtesy consulted the exporters in order that there might be no objection to it on their part, and that any suggestions they had to make might be considered. Those suggestions, if deemed of use, have been acted on. That is all I have to say.

3. *Mr. Forbes.*] You are the chairman of the National Dairy Association?—Yes.

4. You have not been present at previous sittings of the Committee?—No; this is my first attendance.

5. The opinion has been expressed that the association in handling the interests of the dairy industry has made so many blunders that the proposed Dairy-produce Export Board might do the same?—Did they say what blunders?

Mr. Forbes: I do not know if they have particularized them.

Mr. Burnett: That they are generally not up to date.

6. *Mr. Forbes.*] Yes, that is the gravamen of the charge in connection with the Dairy Association. Are you aware of that?—But they have not particularized their complaints.

7. Apart from shipping and other matters that were mentioned, I do not know what your activities are. But it was stated that there was some trading business brought in. Have you anything to do with that?—Yes, we trade.

8. They reckon that the trading operations were failures, and that was one of the reasons why they wanted the pool. Can you say anything about the trading business?—Do they suggest that the National Dairy Association, because it made losses in trading, was singular in that respect during the last five or six years?

9. Do you consider that the association has conducted its business in a way to merit the confidence of the industry?—I do; and I say it has the confidence of the industry as a whole, and the only men amongst our members who are finding fault with the work of the association are the opponents of the Dairy-produce Export Control Bill.

10. So far the evidence taken has been principally from the opponents of the Bill. Have you anything to say in that connection?—I know that they are attempting to link up the National Dairy Association with the Bill, but the association has no connection with the Bill beyond that it has expressed its opinion in favour of the measure. The very first question which would be asked everywhere would be, what does the National Dairy Association think of this Bill? And if the association said, "We have no opinion to offer you," then the questioners might retort, "If you have no opinion to offer we look to you as the leaders of the industry to give us a lead as to the Bill." In a way we would have failed in our duty if we had not offered an opinion on the matter.

11. Are you the promoters of the Bill?—Not at all.

12. Are you suggesting that the dealing with the question has been taken out of your hands by any section?—The first suggestion came from the South Taranaki cheese companies, who meet in conference to discuss more or less local matters. They considered the question of pooling the dairy-produce, and passed a resolution that it was desirable that a pool should be brought about, as they believed it would effect better conditions in regard to marketing the stuff and return better prices. Mr. Goodfellow made a visit to the Old Country a year or two ago, and on his return he, being impressed with the necessity of something being done to improve conditions, and having in mind a pooling scheme, and knowing that the South Taranaki people were of that opinion also, he asked the committee of that conference to meet him with his chairman at Wanganui. As the result of that Wanganui meeting the pool was launched, not the Control Bill.

13. Was it to be a voluntary pool?—No; it was to be a compulsory pool. At this meeting at Wanganui one of the representatives of the committee of the South Taranaki conference, was the chairman of the Stratford Factory, Mr. Ranford. He was one of those who launched the dairy-produce-pool scheme upon the producers of New Zealand, and also one of those who did not suggest that any details of the scheme should be given out at that time. For the responsibility of launching the scheme without details being supplied, Mr. Ranford must take his share. I understand that that is the only objection he has to this Bill. The Stratford Dairy Company has objected that not enough details have been given, and Mr. Ranford is the chairman of that company. How does this coincide with Mr. Ranford's action as a member of the first conference which launched the pool scheme?

14. How are you going to get support for the scheme unless you give details?—There have been a great many details supplied as far as it has been within our ability to give them. Bear in mind that up to the time of the actual passing of the Bill by Parliament nothing can be said in respect to details which may or may not be carried into effect. The promoters may not be the same people who may afterwards have to carry this scheme out. After the Bill became law, supposing something that was proposed could not be carried out, or supposing the Board set up under the Meat Control Act afterwards decided on a different course of action—on something which they could have done, or could not have done in the first place—or made other arrangements to improve the position of the meat export business—

15. Which they did.

16. In that case the Board was unanimous that satisfactory provisions should be brought into operation at once for the benefit of the business, was it not?—Yes; and so it would be in this case. But I suggest that if the Bill be passed in its present form it would be at least three years before any Board would feel justified in enforcing the compulsory provisions. They would first make it their business to prosecute the most exhaustive inquiries at the other end, they would confer with the merchants there, and they would exhaust every possible method of improvement before coming forward with a definite proposal to put the compulsory provisions into force. I am satisfied that any action taken by the Board under this Bill if it becomes law will not be rashly taken, but will be well thought out and after the fullest conference and discussion with the marketing agents at the other end.

17. Do you think that any improvement can be effected in the sale of the dairy-produce under the control of a Board in one pool?—I do not know about the pooling, because the Control Board might handle stuff without a pool being applied.

18. But the main purpose is the marketing and control, is it not?—One purpose is the pooling, but it may not be used.

19. Are you satisfied with your present means of marketing?—The opinion has been expressed by resolution time after time during the last ten years, and at conference after conference of dairy representatives, that the existing conditions respecting marketing were very unsatisfactory; and the National Dairy Association has been requested from time to time to endeavour to evolve a scheme for the better marketing of the produce.

20. Is there a very strong feeling that way?—There has always been a feeling.

21. That the present system is not satisfactory to the industry?—Perhaps not the present methods. I do not suggest for one moment that the marketing conditions cannot be made more satisfactory. I do not suggest that Tooley Street should be left out, but that we should endeavour to arrange with Tooley Street and bring about more satisfactory methods.

22. And more money?—More satisfactory methods mean better prices and more money.

23. In connection with control, you say that no control you can have excepting absolute control would be any good. If you had absolute control through your association would it be generally very much better?—We would then be in a position to stand up against the shipping companies. In dealing with them we would be in a much stronger position than we are to-day, because they know we have not control of the stuff, and in the event of arrangements between the association and the shipping companies breaking down it would allow the individual factories to make contracts for shipping.

24. Under the Meat Control Pool the Board has to approve the contracts entered into in connection with shipping. Your association, or individual factories, could not act entirely independently in such a matter if you had a Control Board?—I take it that the two Control Boards would endeavour to work together as far as possible. That has always been the aim of the dairy producers, and they have expressed their opinion more than once that in regard to shipping matters that the whole of the primary producers should endeavour to work together in respect to shipping contracts, not only the meat-producers but all our primary producers.

25. The object aimed at in connection with shipping would be to have a representative from the Dairy Association arranging the matter with the Meat Control Board, which now controls a big bulk of the freight: is that your opinion?—It would be if the Meat Control Board had control also over the dairy-produce.

26. I mean for shipping purposes alone?—It might be a good arrangement, but I do not think it would give satisfaction to the dairy producers if the Meat Control Board had the making of shipping contracts for the dairy-produce. We desire to have our own representatives to make those contracts.

27. *Hon. Mr. Nosworthy.*] You understand that clause 13 of this Bill refers to the work of the Meat Board, and of the proposed Dairy-produce Control Board, regarding shipping freights. Is it your opinion that by placing on the two Boards the control of the whole export of mutton, lamb, and dairy-produce there would be a greater chance of getting a reduction in freights for dairy-produce and meat than there would be if the two lines of produce were separated and the matter dealt with under separate conditions?—There would be a better chance of getting reduced freights if the whole thing were worked as one. I am quite satisfied on that point.

28. Is it not the fact that by having everything in one hand it becomes a question of whether it is not worth while that outside shipping companies should be asked to compete for the carriage of our meat and dairy-produce combined under the one Board?—That is so. That is the view of the dairy industry in regard to the shipping contracts. But so long as we have not the control of the stuff absolutely we are bound to make contracts with the existing shipping lines trading here. We cannot offer inducements to any other line to come here, because we have not got the stuff in our own hands.

29. You consider it is a necessity that the producers should have full power to speak as one voice to any shipping combine on the question of freights independently of any intermediary body?—I do.

30. *Mr. Masters.*] You express the opinion that if you are going to get a favourable rate of freight the producers as a whole must speak as one body?—Yes, it would be to their advantage to do so.

31. And in the producers you include the meat men?—Yes.

32. You appear to be there at variance with the promoters of the Bill?—No, I do not think so. When it was suggested just now that there should be one Board representing all the producers I did not clearly understand the question. I said the dairy producers wanted their own Board to make their own arrangements, but that the Board should co-operate with the other Board, or other Boards, in the making of the shipping contracts.

33. Do you think the Meat Control Board should have the last say in reference to shipping contracts?—No Board should have the last say, but each industry should have equal consideration. When we got to work with the Meat Control Board in connection with the last contract it was three months before the contract was entered into. We shall have to work with them again before the next contract is considered; it will be due very soon.

34. Clause 12 of the Bill provides that the two Boards shall work together, and the promoters of the Bill have sent out a confidential circular in which they propose that that clause shall be deleted from the Bill. Do you agree with them?—I had nothing to do with sending out that circular, and I am not familiar even with its contents. I think that clause 13 should be in the Bill.

35. The promoters suggest that the clause should be cut right out. Do you agree that it should go?—I think the reason of that suggestion was that there seemed to be an impression that by

retaining the clause the Dairy Produce Board might be considered to be subservient to the Meat Control Board in respect to the making of contracts.

36. So it would under the Bill, would it not?—It would; and for the sake of clearing up the impression referred to it was desired to eliminate the clause from the Bill.

37. Would not the effect be that the two industries, meat and dairying, might compete with one another for shipping?—I do not think that is likely. It is what might happen, but looking at it from the common-sense point of view is it likely that the two industries would compete one against the other. Would they not endeavour to work together as far as possible?

38. I do not think they will work against each other; but do you not think it would be better if that clause were left in the Bill?—I do not know there is much harm in it as it stands.

39. You want unity of control?—Mr. Brash informs me that this clause has since been accepted by the executive as it stands there.

40. You say it will be three years before the compulsory clauses are brought in?—I am quite satisfied about it.

41. But you are of the opinion that before the Bill can be of any use at all there must be compulsory control?—Yes.

42. You are absolutely firm on that point?—Yes.

43. You stated that the suggestion for control came from South Taranaki cheese-factories?—Yes, for pooling.

44. Do you know that since the first meeting the three big factories of South Taranaki are all opposed to the Bill, and the only factory of any size approving of it is Hawera?—Possibly I could give reasons for that.

45. I ask you if you know it is so?—To a certain extent there is a moderate opposition to the Bill, but I know the exact reasons which have brought that about.

46. You rather twit Mr. Ranford with being inconsistent?—I do charge him with inconsistency.

47. I suppose the records could be believed on this point?—Yes.

48. When this Bill comes into operation will the National Dairy Association still be necessary?—Yes.

49. What for?—There is a great deal done by the association outside shipping, and this Bill will only take away from them the making of any shipping contracts. It will still leave other matters with them.

50. The marketing?—No; they have nothing to do with marketing.

51. Will it remain a trading concern?—Partly. We would still remain a trading concern, and even extend that branch.

52. Mr. Goodfellow pointed out that New Zealand already had a very fine organization for marketing its produce. Now, if that is the case, is there any reason why the Waikato factories should desire a change and want to set up another organization?—There may be other circumstances. For instance, I think Mr. Leonard mentioned this morning that Mr. Goodfellow's company was running a coal-mine, a box-factory, and was going in for a lot of local enterprises.

53. The point is that Mr. Goodfellow contends that the payments of the factories in Taranaki were a long way below the average of the majority. Is that correct?—I do not know whether he contends that or not, but I am not prepared to accept the statement that it is so. I believe that the average pay-out of the factories that have been consigning their butter this season would be about from 1s. 5½d. to 1s. 5¼d., or it might go to 1s. 6d.

54. It was generally recognized by other witnesses that, irrespective of their views on the Bill, there is some improvement necessary in the shipping conditions applied to our produce. That is so, I take it?—Yes, that is generally admitted.

55. You are a pretty keen business man, I think?—I am a farmer.

56. Would it be wise to set up a Board of producers, and give them legislative power over the controlling of produce so far as shipping is concerned, and see how it works out in practice, and if it is a success, then give them all the other exporting powers found necessary?—On the principle that half a loaf is better than no bread I would accept that.

57. Do you not think that a lot of the trouble would disappear if we made a better arrangement, a more economical arrangement, for the shipping of our produce?—I am satisfied if we had a regular despatch and arrival in connection with our shipping service we would obtain better prices at the other end. But there is also room for improved conditions in regard to marketing. I believe that during the last six or seven weeks New Zealand butter has been fetching practically the same price as Danish. That is due, in my opinion, to the fact that Sir Thomas Clements has been out here and has got to understand the views of the producers.

58. If we pass this Bill would it be possible to put it into operation this year?—Not so far as marketing is concerned, and I do not think that any Board set up under the measure will attempt marketing for probably three years, certainly not for two years. They would spend two years in making inquiries at the other end. They would not take up the marketing until they felt justified in doing so. They could only obtain a satisfactory reason for marketing after making the fullest inquiries into the matter.

59. Do you think we ought to retain our individual brands for produce?—Certainly. I would not advocate otherwise.

60. You do not agree with Mr. Goodfellow's remarks in that respect?—I think there is a misunderstanding there as to what was really meant. I do not understand that there is any suggestion that the individual brand of a factory should be destroyed, or should not be retained.

61. Mr. Goodfellow made the very definite statement that the ultimate result must be—and rightly so—that we should have a national brand for New Zealand on the paying value—the grading—of the article?—That would be his personal opinion, and possibly events would justify it. I want to confirm the statement that the Danes export under one brand only. The individual factory has not a brand in Denmark, but the whole of the butter of the first grade goes under one brand—"Luhr."

CHARLES EDWARD MACMILLAN examined. (No. 16.)

1. *The Chairman.*] In what capacity are you present?—I am here chiefly owing to the illness of Mr. Grounds, Chairman of the Dairy Council. I have not followed all the evidence taken by the Committee, but such of it as I have followed has more than convinced me that such a measure as the present Bill is necessary. On behalf of Mr. Grounds I wish to acknowledge all the kind things said by opponents of the Bill in recognition of his *bona fides* in the matter. Probably he will have an opportunity of addressing the Committee later on. With regard to Mr. MacEwan's evidence, and his statement that an effort should be made to get all the varying interests combined, I claim that that is exactly what the Bill is doing. In the Dairy Council we have two representatives of what may be called the opposing faction—two representatives of the proprietary interests. While they sit with us and hear all that we have to say, those interested in the promotion of the present Bill are not given any opportunity of hearing the views of the proprietary interests, because they meet more or less as a Star Chamber. I say therefore that we are carrying out the very thing that Mr. MacEwan says he wants to bring about. Provision is made in the Bill for the representation of all classes of interests—for a representation of the proprietary interests themselves, quite in proportion to the interests they have in the industry. Further, Mr. MacEwan said it was necessary and proper to his business to occasionally travel round the world. If that is the case why has objection been taken to a proposal which will enable the dairy industry to be watched on behalf of the people who prepare the produce? I think the evidence has clearly shown that the only person watching the interests of the dairy producer is Mr. Ellison, of the National Dairy Association. I think it has also been shown that he receives half his salary from the National Dairy Association. I leave it to the Committee whether it is proper that an industry worth up to sixteen millions a year should have absolutely no person on the other side of the world who can give information as to what is occurring at the other end. We know perfectly well that what Mr. MacEwan said as to it being to the interests of his business that he should go Home, and travel in other parts of the world, is quite true. We are asking in this Bill to have the right to have the same thing done for the dairy factories. The necessity for compulsion is that the dairy-farmers are not seized of the importance of this. Individually many of them do realize it. No dairy-farmer who is also an owner of stock would even send five cows to a sale and leave the selling of those cows to the tender mercies of the agents, and certainly no man who is in a big way would dream of sending £5,000 or £10,000 worth of stock to the market without following it up and seeing what happens. Yet with the dairy industry in New Zealand as it is now run, when our butter is once placed on the steamers nothing is known as to what happens except through people who are not solely interested in the sale of New Zealand produce. I do not know of one produce-merchant in the Old Country whose sole interest is in the sale of New Zealand produce—they deal largely in dairy-produce from other countries, and I take it that their first object in life is to make a living and pay twenty shillings in the pound, and make as much more as they can. What we are asking is that a Board shall be established in the Old Country whose duty it shall be to report to New Zealand what they consider is in the interests of the industry. There is no proposal, as far as I know as the representative of a dairy company, to work in antagonism to the present channels of distribution, but a decided effort is going to be made, if the present Bill becomes law, to see that proper information is obtained, and that we know exactly what occurs when our produce arrives at Home—how it is distributed, and into whose hands it should be given to distribute it to the best advantage. I think that that is a fair proposition. It is only reasonable that producers should have the right to look after their produce when they send it for sale. At all the conferences preliminary to the proposal coming before the House I have not heard a single representative of any dairy company, proprietary or co-operative, who has not said that the present condition of affairs is rotten. Most of the objections offered to the Bill on the ground that it is proposed to work in antagonism to the Tooley Street merchants come from members of the Council and members of the conferences who are opposed to the proposal. One very prominent man said at Palmerston North twelve months ago that he would support any proposal that would eliminate Tooley Street, and yet because he happens to be a member of the Council—although he was asked to resign—we are charged with wanting to work in antagonism to Tooley Street. I want it to be perfectly clear that there is no such intention, as far as my knowledge of the Council goes. With regard to freights, I say that they can be controlled, and that there is no use in saying that they cannot. I will show later on how it can be done. I do not think the opponents of the Bill know very much about the conditions under which freight is paid at the present time. I do not think they are aware that the old custom established years ago, when there was competition between the shipping companies, of giving local agents a commission for putting freights through certain lines, still obtains. The local agents have as much to do with the arrangements of freights as a man in Timbuctoo, and yet it is a fact that they draw fat commissions steadily. If the opponents of the Bill know that they do not disclose it. I presume that the reason for the continuance of these payments of commission is in view of the fact that some day things will become normal, and the shipping companies do not want to break their connections. Large commissions are paid, not for services rendered—because they are not rendered—but simply because it is possible to bleed the farmer and producer to that extent. I promised to show how shipping could be controlled. Let me give an instance of what we have done in my own district in a small way in regard to coastal freights, and I think that the same methods applied to overseas shipping can bring about similar results. In the Bay of Plenty district we have had trouble with our shipping company. That company had a monopoly. An effort was made to get the freights reduced, but there was no reduction. They said it was impossible to make any reduction. Eventually we purchased a boat of our own. Then the freights came down to half what they had been. We have run our boat successfully for three years, and now there is a freight war. Where other districts are paying up to 100 and 150 per cent. extra for having their produce lifted and taken to

the port of final departure by rail and other means, we have succeeded in making a reduction to pre-war rates, and done it at a profit. But, as I have said, there is a freight war on, and it is possible that the East Coast Shipping Company, which is the rival company, will have to cease operations because freights have been reduced to such an extent that they are not now a payable proposition. I am convinced that the same methods applied to the whole of the Dominion's dairy-produce would give the same satisfactory result. The promoters of the Bill do not advocate the purchase of any line of steamers, but I think they are advocating such a state of affairs that when they come before a Committee such as this they will be able to give reliable information as to what is occurring in regard to freights as well as other matters. At present the Committee has not got it. There is no authority to which either the Committee or the producers themselves can turn to get reliable information on the subject. One can only get information from people who are interested, and whose interests may be to a certain extent not in accord with those of the producers. That position is to my mind a strong argument in favour of the Bill. Some people say that improvements could be made by a Committee sent to the Old Country to deal with the shipping companies. But if your Committee went to the Northern Steamship Company at the present moment and began to talk about freights to the east coast the first question they would be asked is, "How much freight have these people to offer?" That is exactly the position when you go to the Old Country now. If you were to go to the Old Country you would be asked for the same kind of information. I think there are gentlemen in this room now who have been to England and looked into the question. They have investigated the question as far as their limited opportunities permitted, and every one of them came back with the report that something has got to be done. Let me give a case in point. One gentleman who is very much interested in the dairy business went Home and made inquiries. Instead of going to the Tooley Street merchants he went to a retailer. The retailer was very courteous to him indeed until they got, as you might say, to grips. As soon as they came to the question whether the two could not deal to mutual advantage he was told to "call again to-morrow." When he called the next day he was told that it was inconvenient for the head of the firm to see him at all. What is the use of sending people Home to represent nothing? To get real answers to questions it must be known to the people from whom information is sought that if there is reason to believe that anything is being kept back the information-seekers have power to prevent the others from getting supplies. I cannot see how any reasonable objection can be offered to the Bill as it stands. With regard to the method of election, a great deal has been made of the fact that there can be a direct vote in the matter of representation. In my opinion that would be a great mistake. It has been suggested that you have your board of directors, who are in close touch with your suppliers, and are elected annually. They elect the Council, and then the Council elects the Board, and the Board, in its turn, reversing the process, reports to the Council. The Council—which is to have as nearly as possible geographical representation—reports to the various boards of directors, and so it gets back to the suppliers. If you cut the present Council out and have a direct vote by the suppliers you have nine men elected from all over New Zealand, and no means by which information that is of value can be conveyed to the suppliers except by calling occasional large meetings together, and the possibility is that the Board would be far too busy looking after the affairs of the industry in other directions to be able to attend such meetings and give the information. The idea is that the reports to the Council on the Board's actions shall be open to criticism by the Council. The members of the Council can go back to their districts and report to the dairy companies, and then the dairy companies can report to the suppliers. The whole of the actions of the Board are thus open to the criticism of the suppliers. I cannot find any better method of election than that. It is also suggested that this will involve an extra charge upon the farmer. I submit that it will not, in support of which I will supply to each member of the Committee a copy of a circular which I sent to the suppliers in each of the districts with which I am concerned where I have not been able to address a public meeting. In it I state: "I can confidently assert that financial arrangements will be made by the Board, if it comes into being, whereby the charges at the British end will be adjusted so that the expenses incurred by the Control Board, the Dairy Council, and the London agency will not be a further charge upon the supplier. A slight reduction in the present London commission charge will recoup to the supplier all he is asked to meet by way of levy, leaving as net profit any advantage obtained by reduction of freight charges, regular shipments, and better and less irritating delivery to the consumer, resulting in better prices being obtained." Quite recently we had a visit from Sir Thomas Clements, who occupies, I think, the position of chairman of the Produce Committee of Tooley Street. He addressed meetings in various parts of the Dominion. One of his addresses was given to the Dairy Control Board on the 25th April. We had no quarrel with the suggestions he makes. Sir Thomas stressed the point that there was a great deal of goodwill attached to a particular brand of butter. He said he knew from personal experience that different retailers asked for particular brands. Very well, I agree with that, and I asked him this question: "Under the present system can you guarantee any continuity of supply of a particular brand to any particular consigning agent? He answered "No." The Tooley Street houses do not get butter or cheese under the present system in proportion to their ability to handle them: they get them in proportion to the ability of their local agents to secure it for them. It is well known that many Tooley Street merchants with some of the best channels of distribution have been stranded in New Zealand without obtaining a ton of butter under the present system. It is the policy of the gentlemen who come to the disposal meetings to talk themselves into the favour of the directors, and secure the butter for the Tooley Street merchants. I put it to Sir Thomas Clements—"Don't you think some method should be devised, in the interests of the buying trade, by which a continuous supply can be obtained, and how can you get that without control?" Sir Thomas shrugged his shoulders and could not answer me. No matter how capable a man may be of selling your stuff, you have no guarantee that he will get it next year. This is far

more important than it appears on the surface. There is a factory-manager in New Zealand making cheese at the present moment whose produce is considered so satisfactory, and so meets the demands of a particular firm of grocers in the Old Country, that that firm will have his product no matter in what part of New Zealand he manufactures. I have convincing proof of that. This particular manager's make of cheese is so satisfactory to the English requirements that the firm in question, finding that he had removed from the factory in which he had been working, sent a man from England to ascertain where he had gone to, in order again to get in touch with his products. Under the present system it is only by accident that we can discover these things, and I say that that is valuable information to the industry, because if you have a man of outstanding ability I claim that he should be an instructor. But under the present system we have no means of finding out what his qualifications are in the eyes of the English market. Of course, these representatives of London houses, when they come round New Zealand, tell each factory-manager that his particular product is the best stuff in the world. I have been secretary of one company for twenty-two years, and of another company for sixteen years. I have signed every contract entered into by both those companies, and gone into all the details of each undertaking. On almost every occasion I have put this question to the consigning agent when it came to the guarantee clause in the contract: "Will you guarantee us a return equal to that of any other factory in the Auckland Province, grade for grade?" In every instance the large companies have been eliminated. At one time it was stated that a large company, the New Zealand Dairy Association, which was at that time being run by Messrs. Spragg and Pacey, was eliminated on the ground they could not get access to the documents. That was a reasonable objection. They probably did get better prices than others for their butter, seeing that they were financed almost entirely by Messrs. Lovell and Christmas, large-scale Tooley Street merchants. Later the New Zealand Dairy Association went out of existence as a proprietary concern and became a co-operative company. Access could then be had to the documents. Still, a small company cannot get a guarantee that it will obtain equal prices to those given to the large factories. I asked one agent, "Is it not a fact that you will look after a large factory better than you will a small one? Is it not reasonable to suppose that if you have a commission worth to you £1,000 a year, and the interests of that commission come in conflict with an interest that returns you only £100 a year, both are not going to get the same consideration?" For a small concern you cannot get a guarantee equal to that given to a large factory. They will only guarantee a price equal to that of a factory of equal size and equal grade. That is the best I have been able to obtain. I think these gentlemen recognize that I am looking after the industry, because they all come to Tauranga, and it has been reported to me repeatedly that in conversation with others they have said, "If you will get rid of that beggar MacMillan there will be no trouble with the rest." I have as much knowledge of the produce business from the financial point of view as any man who has come before the Committee—perhaps not through dealings in as large sums as some of the witnesses, but as regards the details I have suggested. Any one who comes from the Waikato will bear me out when I say that the interest in the dairy industry when it was a proprietary one was strangled—that its progress was strangled. We know perfectly well that the New Zealand Dairy Association, when it was controlled by Mr. Spragg and Mr. Pacey, refused to take delivery of any home-separated cream. We know that their theory was wrong. The whole Waikato district was under their control, and they had the control through the method in which people had to deliver milk. We know how the Waikato district has developed from the time the control was taken out of their hands by the co-operative company. In the case of one company alone we know that it handles 25 per cent. of the dairy-produce of the Dominion. If you add the other dairy companies you will find that the Waikato handles 40 per cent. of the country's output. I venture to say that if it had remained in the hands of the proprietary company the district would not to-day be handling more than 10 per cent. of the total. The principles laid down before the Committee by Messrs. Pacey and MacEwan were, in my opinion, absolutely unsound. I am sorry Mr. Pacey is not present. If he were here I could refresh his memory as to the time when his own company side-stepped a contract made by the National Dairy Association. The National Dairy Association, which was at the time almost entirely a Taranaki organization, had made a contract with the Shaw-Savill Company and the New Zealand Shipping Company. There was competition at the time, because the Federal-Shire Line had come into the trade. They made a contract with the National Dairy Association. Mr. Spragg's organization moved round and got in behind the association, securing a better contract. We were all called to Auckland, and at our meeting Mr. Harkness, secretary of the National Dairy Association, produced its contract. Then Mr. Spragg produced from the drawer alongside him the more advantageous one. Does not that show conclusively that the man who has the goods to deliver can always make the best terms? It was a question of who could give most trade to the shipping company—he would get the best price. That is exactly what we are trying to get by our proposal to make a freight charge for the whole industry, in the hands of one united body of men. I can support these statements by sending to Tauranga for the report I have in my minute-book. An analysis of the National Dairy Association's old minute-book, stating who were present, would also confirm what I have stated, if corroboration is wanted and cannot be obtained in Wellington. The circumstances I have been relating occurred about eighteen years ago. We say that as far as this movement has gone there is a clear-cut issue between the proprietary concerns and the co-operative concerns. If co-operation means anything to New Zealand, I say that if the present effort is defeated the industry will receive the greatest blow it has ever suffered. All the witnesses who have given evidence in opposition to the Bill, as far as I have observed, are in some manner connected with the proprietary concerns. It is singular that no exception has been taken to the fact that these proprietary concerns can afford to give the managing director a trip round the world occasionally, whereas a tremendous

amount of exception is taken of the fact that a few men interested in produce of the annual value of £16,000,000 should get a bare crust, or perhaps a little more, for looking after the interests of their business at the London end. Mr. MacEwan told the Committee that it paid him to make these trips, and I say it will pay the dairy industry well to have a Board in the Old Country to look after its interests and report regularly to the producers in this country. Exception has been taken to two representatives of the Government being placed on the Board. That is only another red-herring drawn across the scent. This industry is so large that there are many interests concerned in it apart from the producer: there is the interest of the man who has advanced money on mortgage, the interests of the owners of property, and the interests of the banks. In my judgment it is right that there should be Government representation. There should be representatives of the people of the Dominion through the Government. I can take no exception to the fact that the proposal provides for two Government representatives. It would be different if every dairy-farmer owed no one anything—if he held his property free of encumbrance. If such were the case it might be said that the Government should not come in. I think the Bill is right in having some provision by which the interests of the general public, and the other interests which are not necessarily in conflict with these, can be watched.

2. *Mr. Forbes.*] Can you tell us why, in the matter of finance, the same provision is not made in this Bill as was made for the meat-producing industry?—Some of the members of our committee asked for that—I will not say of the committee of the conference—but it was through their not knowing the whole of the facts of the case. It was quite right, in my opinion, for the Government to come in behind the meat-producers, because their whole business had collapsed. If there were any suggestion that the Government guarantee should be placed behind the dairy industry it would almost amount to an admission to the world that New Zealand's principal industry had collapsed, and I do not think it is necessary. I am also given to understand that until the Government came in behind them the meat-producers could not obtain any advances on their products, either on the hooks or anywhere else. That is not the position with regard to the dairy industry. Exception has been taken to the assertion that the chairman of the associated banks had made a certain statement. As a matter of fact, the Tooley Street merchants and the associated banks are competing, if this Bill comes into operation, to get the financing of the dairy industry. I say that as the result of the competition you will have better financial arrangements than we have ever before known in New Zealand.

3. You think you will not require anything in the way of Government assistance?—I do not think we shall. Indeed, I think it would be calamitous if we did. I may also say that if you fix the freights, and fix regular departures from the ports, you will fix the finances so far as advances are concerned. We can get, say, 90 per cent. as an advance on the produce when it is shipped. Accounts are taken on the 20th of the month. As a result of regular shipments you will have 90 per cent. on all the butter you produce. Take the month of October: you would have 90 per cent. of the value of the butter for that month, and twenty days into November. The Board would not want more than that to gamble with—for there would be a temptation to gambling. To do so would be to ask for more than was reasonable—it would be asking for frenzied finance. Once get your shipments regular and your finances will be regular. In the past, if the boats did not leave regularly—and they often do not leave satisfactorily—the dairy companies could draw from the banks up to 1s. per pound against their store warrants. It is possible that if you wanted more the banks would give you more than that. This matter of finance is an absolute bogey. The banks and the financiers of the Old Country make their revenue by lending money. Are they going to lock it up? They are only too glad to lend it; but of course they do want the best terms possible. In the House objections were taken, and rightly, in my opinion, to the fact that the banks were charging an extra $\frac{1}{2}$ per cent. to companies which did not put their exchange through them. The Prime Minister said that he had put that matter right. How did he? Was it because he was William Ferguson Massey? Not at all; but because it was known that he had the "big stick" behind him.

4. *Mr. Masters.*] Mr. Corrigan said it was he that put it right?—In that case it was Mr. Corrigan that had the "big stick." To say that a director of any dairy company put it right would be ridiculous. But a Board of the description proposed in the Bill will be able to put matters right.

5. *Mr. Forbes.*] Do you advocate having a Board to market the produce, to exercise the powers given in the Bill, to take over all the butter and cheese and market it on behalf of the producers?—You must define what you mean by "marketing."

6. I take it that "marketing" means that you have power to take over the produce and sell it on behalf of the producer, and make returns to him. The Bill proposes to give power to do that?—If you mean by "marketing" that the Board will take over and market the produce in a revolutionary manner—contrary to what has been done in the past—I do not anticipate that anything of the sort will occur. I do not think the Tooley Street merchants will allow such a thing to happen. But if you mean by it taking over and controlling the sale through the advice of the London agency, I say I think that may occur. I think some fourteen Tooley Street merchants have already stated that they are prepared to work in co-operation with any organization formed in New Zealand.

7. Has not the idea been put before meetings that this Board would take control of the whole output, and supply the London market at regular intervals with what was required, and that by doing that it would be able to get a better price for the producer? Has not that been a strong argument in favour of the Bill?—It has been stated that such a state of affairs might be possible. Sir Thomas Clements is recognized as more or less of an authority, and his statement was that the ideal conditions of sale in the Old Country would be a fifty-two-weeks period—that is, supply all the year round. Theoretically and actually that is the best period, provided you have fresh stuff to deliver. Sir Thomas also said that it was not advisable for the producers of New Zealand to store their produce

in order to spread it over the fifty-two weeks of the year. He advised that what we should aim at under the present method of dairy-production was about a forty-weeks period—that we should try to have the distribution during those forty weeks as equal as possible. He was talking from the point of view of a man who comes in contact with the consumers of butter at Home. He pointed out that it was not difficult to switch a consumer over from New Zealand butter to Danish, and then back again to New Zealand. He said that that meant only two turnover in the year, and was not very difficult to bring about, but that under the present system you have to turn them over about every six weeks to keep the market going. Here is his statement, copied from a paper called *Budget*: “Without controlling your shipping you do not know where you are with regard to prices.”

8. Has not that condition been very prevalent? Very prevalent. It is a fact that in the time of the slump butter was selling in the Old Country at 180s. per hundredweight. The shipping companies want butter in the bottom of the vessel. Vessels were overloaded with meat, and there was no place ashore in which to put it. There was storage for it at Southampton which could have been used, but when they were asked to get the meat out in order to get at the butter they refused to do it. There was no penalty clause. Sir Thomas Clements told us that the Argentine have an agreement with the shipping company with which they deal which is so binding that the boat has to arrive at a given time and be unloaded within three days of her arrival. If the boats arrive on a Friday they must have their hatches open and start unloading on Saturday, and the whole of the produce is in the hands of the consignees on the following Thursday.

9. *M. Field.*] Do not the Tooley Street merchants both act as agents and buy produce?—Yes.

10. If they act as agents and charge 2½ per cent., or some other small and reasonable commission, I suppose there is not much exception to be taken to that?—Not at all.

11. Where it is a question of their buying, are any of their methods objectionable?—I think I have stated to the Committee that there is no possible way of finding out. You simply have to accept what they tell you as correct; but I should say that as a general thing they are strictly honest men. Buying is one of the greatest difficulties. In the season before that which closed on the 30th June, 1922, there was considerably over a million pounds lost to the dairy companies who accepted the buying-prices. The secretaries and directors of dairy companies had no place to turn to for information in considering the buying quotations. One thing I want to see avoided is the danger of the business turning into a gamble. It is not a matter whether this or that factory makes or loses. We have to consider the question from the point of view of the whole Dominion.

12. You think control would have the effect of checking the gambling element?—I am certainly of opinion that it will, if it is properly run. I think every safeguard should be adopted to see that it is properly run.

13. Would you be in favour of utilizing the Tooley Street merchants as channels of marketing?—Absolutely. I do not see any other way. The antagonism towards the scheme does not come from Tooley Street; it comes from the agents in New Zealand.

14. *Mr. Masters.*] You stated that the present condition of affairs in regard to shipping arrangements was rotten?—I state more than that. I state that I have not heard any person at any of our conferences, whether he was an opponent or a supporter of the scheme, who did not say that they were rotten.

15. What do you mean when you say that they are rotten?—I refer to the system by which the boats come and go, and load, just when they like. That system is not a sound one.

16. That is the only thing you consider rotten?—And the charges are rotten. The method in which the agreements are made is rotten.

17. Are you not on the National Dairy Association?—No.

18. Do you know the last contract that was made by the National Dairy Association?—I have a bowing acquaintance with it.

19. Did they not enter into a contract with the shipping company on these conditions: that in the event of their getting a reduction from another company the contracting company was to give them that reduction?—I quite believe that.

20. Was not that a good business method?—It was a good move on the part of the shipping companies, knowing as they did that no offer would come forward.

21. Do you think it was likely that another company would make an offer when they knew that that offer would first have to be submitted for acceptance by the company that had already made the contract? Are they likely to make an offer?—No.

22. Then it was not a very businesslike contract, was it? I do not know that. I think the National Dairy Association did not concern themselves in the least as to who made the lower freight. It was not worth the paper it was written on, that clause in the contract.

23. How can you account for the increased opposition that is given to this Bill?—To begin with, I deny that there is increased opposition. It has not been proved. Also, there is a very large district on the east coast of which very little cognizance is taken here. To a great extent, that is my fault, or my misfortune. I was laid up with what threatened to be pleuro-pneumonia before I came to the House, hence resolutions have not been confirmed by twelve companies that represent the East Coast Dairy Association supporting control.

24. Would you call the Poverty Bay district the east coast? No, I speak of the Bay of Plenty. Opoiki has a large company which sells most of its product in the Auckland market. It is entirely due to a domestic quarrel that that company is in opposition.

25. I think it is generally recognized that there is dissatisfaction as far as the shipping arrangements are concerned. Even the most bitter opponent of the Bill admits that?—I am glad you admit that.

26. I do admit it freely. Do you not think it would be a wise precaution to tackle that side of the matter before we start out after the reorganization of the marketing and control? Is it not wise to go warily in these matters, especially where you have so much involved?—Well, you have heard the expression about the mountain being in labour and producing a mouse. That would be exactly the position. This is the second year of the effort. Every dairyman who has ears to hear knows something of the sort is being discussed. It is being discussed throughout the length and breadth of New Zealand. If a board of dairy company directors have not put the proposal directly before their shareholders it is because they are satisfied that silence gives consent. I do not think there could be a greater upheaval in the industry than this has been. If after so much stir we cut everything out, and only agree to arrange about shipping, it will be a real case of the mountain in labour producing only a mouse.

27. What is your view in regard to the levy: do you think it is reasonable, or too small, or too large?—I think it ought to run the affairs of the Board satisfactorily. I may say that the levy was suggested at the figure given because it brought in about $\frac{1}{2}$ per cent., which we understand is paid at present to the local agents by Tooley Street.

28. It would raise about £100,000 on the basis of this year?—Well, we are paying that now.

29. Do you not think it is an unduly heavy levy?—Very good. Then there is provision made later in the Bill that if there is a surplus it can be carried forward. But why should it be an unduly heavy charge when it is the charge that has been paid to the predecessors of the Board, when it was recognized as quite a proper charge when it was paid to the proprietary interests?

30. Are you going to do away with that commission?—I hope so—the local commission. The £100,000 is to be payment for actual work done. There are too many people at the game in the various centres of shipment. The shippers have to keep their staffs, and staffs will have to be engaged if this Board comes into operation. It is absurd that in each centre there should be eight, ten, or twelve staffs representing the different consigning houses and drawing good salaries. The £100,000 is the maximum, but it is no more than we are paying at present.

31. I have a circular from the Dairy Factories Union, and I should say that by the time all the amendments they ask for are made there will not be much of the Bill left. Did they strongly support the Bill?—I cannot say. You can get better information from Mr. Cobbe, who represents the Dairy Factories Union.

32. *Mr. Langstone.*] The dairy industry is a big business, is it not?—Well, I may be prejudiced, but I think it is the most important in New Zealand, when you consider the number of people dependent upon it.

33. Is there not something like £1,200,000 a year paid in freights on dairy-produce, estimating it at about £10 per ton?—That may be an exaggeration. I think it is estimated that about 125,000 tons of dairy-produce leave New Zealand every year. You seem to be basing your calculation as if it were all butter.

34. On an enormous sum like that, you think that quite a large saving could be made by having proper control and being able to make decent contracts?—Yes.

35. With regard to marketing, I think a commission of $2\frac{1}{2}$ per cent. would run to something like £500,000?—Yes.

36. And you would possibly be able to get some reductions there?—That is likely. I do not think any member of the Council would object to 2 per cent. to a man who is doing 2 per cent. worth of work, and perhaps more. It is quite possible that there may be a reduction.

37. Tooley Street merchants are wanting produce from New Zealand?—They need it for their business.

38. By putting the Tooley Street merchants in competition one with another for so large a volume of trade, would you not be able to deal more satisfactorily as far as the New Zealand trader is concerned?—The idea, as I understand it—you must bear in mind that at present our ideas are more or less theoretical—is to give every Tooley Street merchant as much of our produce as he can handle. If it is found by experience that certain firms regularly return better prices than others, naturally you will feed those firms. At present we do not know where we are.

39. Do you think that since the New Zealand Dairy Association became a co-operative concern it has given better results, and given more satisfaction to the farmers, than when it was a proprietary concern?—I am not a member of the association, but I think that it has had to contend with proprietary interests in a way that other companies perhaps have not. We know that if anything is keeping down the returns of the New Zealand Dairy Association to its suppliers it is the fact that they have large sums of money locked up in dried-milk factories. And who brought that about? Probably you know that it was the competition of the proprietary companies that did it. Take the case of Cambridge, where there is £120,000 locked up. If it had not been for the competition of a proprietary company none of that money would have been sunk. It is the fear of what the proprietary interests will do that is making the banks close up on the co-operative companies. Sixteen years ago I obtained an advance of £3,500 on the security of a factory with 300 shares applied for, and £100 share capital paid up. The banks now ask for one-fourth of the amount in cash, and from one-third to one-half of the shares applied for, besides a joint and several.

40. Do you think the reason for the opposition of the proprietary concerns to the Bill is the fact that you will be able to clip their wings, so that they will not be able to harass the co-operative concerns in the way they have done in the past?—That is an involved question. I cannot say. But I do think they must have something to fight for that we know nothing about, or they would not be fighting in the way they are.

41. *Mr. Burnett.*] Seeing that it is such an immense industry, how long do you think it would take the Board to function properly in its exercise of the compulsory clause?—That all depends upon

the results of the investigations of the London Board of Agency. I think that if they discover anything that is not in favour of the industry they will have no trouble whatever in making the people at Home interested in line with themselves. I do not think there will ever come an absolute clash between the Tooley Street merchants and this Board.

42. Would it be out of the way to say that it would take two or three years of investigation by the Board before it will properly function?—I do not think it will take two or three years. I do think that, so far as the local agents in New Zealand are concerned, they will probably be eliminated almost at once—not this season, but within twelve months.

43. You do not think it is false analogy for us to assume that, seeing the good work that the Meat Control Board has already done, the proposed Dairy Control Board would do the same?—I quite agree that if the Meat Board has achieved anything like what I believe it has achieved, a Board of the description we now propose will attain similar results.

44. It is possible?—Yes.

45. More than that, it is probable?—It is probable.

46. *Mr. Field.*] It has been suggested that it would be a fair guide to this Committee and to Parliament if we obtained from the whole of the suppliers of both the proprietary and co-operative factories throughout New Zealand a rough-and-ready vote as to whether they approve the Bill or not. Do you think it would be a fair test or a fair guide?—It may be, but I think you have a sufficiently fair guide here—*Mr. Brash* can give the actual figures, and they have been published by the Press. The conference at Hamilton was representative of the south Auckland district and the Waikato, and 95½ per cent. of the representatives voted for the Bill, and only 4½ per cent. against it. If the House is going to discuss the matter on that basis it has all the information it requires. If you are going to discuss on the basis of treating the man who runs two cows on the same footing as the man on a large scale—well, anything might happen. Any number of men supplying my factory milk two or three cows for the sake of getting cheap butter. I have not met a big supplier in my district who was not in favour of the Bill.

47. You think that whether a plebiscite was a good thing or not, it would mean an unjustifiable delay?—Yes, more particularly as the Board's constitution is of such a nature that it can be voted out of existence. I think that if as the result of the first election three men antagonistic to the scheme were elected, as is possible, the Board would probably vote itself out of existence.

48. *The Chairman.*] You think that if the Board is fit to control the shipping and large matters of that kind, or to bargain with the shipping companies, the same Board should be able to apply the compulsory clauses of the Bill, or apply them in whole or in part, as the Bill says?—I certainly think so.

FRIDAY, 27TH JULY, 1923.

HENRY FORSYTH examined. (No. 17.)

1. *The Chairman.*] Will you kindly state your position?—I am a member of the National Dairy Association, and on the executive of the Control Council. With regard to the questions before the Committee, I maintain that there is very much room for an improvement in the methods of handling and marketing our produce both in the Dominion and at Home. Not until we have some form of control will a better state of things be brought about. The proposals in the Bill mean both better handling and better marketing. Therefore under it the producer has everything to gain and nothing to lose. When we have heavy arrivals of New Zealand produce at Home there is usually a big margin between the New Zealand and the Danish prices, and from my own observations I am satisfied that the consumer in England is not getting the full benefit. The present system gives room for speculation, and our goods are often sold under the names of better-selling brands. As far as the Council is concerned, we are not out to exploit in any way the consumer at the other end. We are simply out to get fair value for our goods, to eliminate speculation, and to reduce costs between the producer and the consumer, and get the best price within reason for our goods. The handling of our produce at Home is very clumsy, and any extra cost or deterioration is our funeral. The charges and costs come back on the factories here. I dealt with those points pretty fully when giving evidence before the Committee of last year, and therefore will not take up time with them now. Our present shipping service we do not regard as satisfactory. We have irregular despatches of ships from New Zealand, and more irregular deliveries at the other end, and that is detrimental to the prices. If the market is glutted it gives room for speculation, and that is one thing we want to avoid if we can. We want a better shipping service, and we need a small proportion of cold storage at Home, so that we shall be able to store our goods and feed and stabilize the market. Then, before we can make a binding contract with any shipping company we must have some form of control. Any contract now made by the National Dairy Association cannot be binding upon the dairy companies. Any dairy company, or any combination of the large companies, is at liberty to break away if it thought fit, so that before we can get a binding contract we must have control. A good deal has been said by the opponents of the Bill at various meetings about the farmers marketing their own products. At none of the meetings I have attended have I heard any suggestion from the promoters of the Bill that we were going to market our own produce, or to disturb the present channels of marketing. The intention is rather to supervise the handling and marketing systems. At the present time we absolutely lose control of our produce as soon as it is put on the water. Let me state some of the principal benefits I look for in the establishment of a system of control. In the first place we should get a very much better shipping service, and be able to make better arrangements as to insurance. We should have one body to regulate the quantities of white or of coloured cheese to be manufactured, and also the quantities of salted or unsalted butter to be produced. We want also to be able to advertise

New Zealand produce in the Old Country. We would get equality of treatment amongst the dairy factories, and would be able to store, regulate, feed, and stabilize the market, which would enable us to get the best possible prices within reason. A good deal has been said by opponents of the movement about the losses made by concerns with which the promoters are connected with, the Marketing Association being one of these. There are few concerns, co-operative or proprietary, that have not suffered from the aftermath of the war. As to the Marketing Association, I think that every move that has been made by the producers in the direction of better marketing has been beneficial. One such move was made twelve or thirteen years ago. The National Dairy Association selected four firms, with the intention that the association should send goods on indent to those firms. The result was that it was arranged that those firms were to reduce their rates of commission by $\frac{1}{2}$ per cent., and that was done. We struck very strong opposition from the rest of the Tooley Street firms, who, to combat those with whom we had made the compact, reduced their own rates of commission by $\frac{1}{2}$ per cent. That means that for the last twelve years we have been paying $2\frac{1}{2}$ per cent., whereas previously we had been paying 3 per cent. That alone was a saving to the dairy companies of New Zealand of £85,000 on the basis of present prices. I say that the Marketing Association has been an unqualified success. It has been in operation for three years. It has handled on the average over 6,000 tons of produce a year, and we have been able to get as good a price as the average Tooley Street firms in handling our produce—in a great many cases better prices. On top of that we have been responsible for bringing about a reduction in the charges at Home. When we started, our landing charges were £1 per ton, while others were paying 27s. 6d. and 30s., and in many cases higher rates. To-day the majority are down to £1. That means that the Marketing Association has effected a saving to the factories in New Zealand of from £50,000 to £60,000 a year. I am satisfied that when this year's results come out it will be found that few Tooley Street firms are able to come up to them. It says a good deal when we can get as good results as firms established for fifty years and more. I look upon this proposition as another step in co-operation. Let me refer for a little to what has been done in other countries. In some of the States of America there is united provision for the handling and marketing of dairy-produce, and they claim that they are not only able to market at higher rates through concentration, but they are able to reduce the cost of handling and marketing to 25 per cent. of what it cost them previously. Then, take Holland: I and others made a trip through that country, and we found that the Dutch pool their output of cheese. They manufacture in large quantities what they call a Gowder cheese. It is about 10 lb. in weight, and is round in shape, with no edges on it. It is cured by salting in brine, with no bandages. The cheese is taken out of the brine after five days, and put on shelves after being wiped, and there it remains for a fortnight. Then it is taken to their associations—I saw about seven associations. The one I visited had forty-seven dairy-factory members—all large factories. These associations hold the cheese for a considerable period—they held it for four or six months during the war period. The associations have staffs which attend to the work of turning and wiping all the cheeses in store. After the cheeses become dry on the outside they are oiled with a vegetable oil, and a certain quantity of them are painted with a reddish dye. This entails a tremendous amount of work. There must be 150 men, I should say, employed by the association whose stores I saw. The associations then pack and market the cheese, deduct the cost of handling, and pay over the proceeds to the factory. I should say that that is as near pooling as anything I know of. With regard to financing, they have their co-operative banks, or, as we should call them, agricultural banks. The bank finances the association on the security of the produce, the security of the assets of the association, a security over the factories, and also over the farms. We could not in New Zealand finance ourselves for one month with all the securities we could offer. Then I come to the Danes. The easiest way of explaining the Danish method will be to read the notes I made while dealing with that country. Many people, especially among the agents, have told us that the Danes have no price-fixing committee. I was pleased to read in the Taranaki papers about a fortnight ago a statement from the Minister of Agriculture stating what takes place in Denmark. I think that after I have read my notes you will see that I practically reiterate what the Minister stated. While in London Mr. Ellison and I had an interview with Mr. Faber, who was the Danish representative there. I quote the following to prove that price-fixing committees do exist in Copenhagen:—

At one time the Danes manufactured butter in large dairies up to 200 cows. They made contracts for six months' butter at a time. This was not found to be satisfactory, and if the market rose the dairymen would sell quantities outside the contract. In the "seventies" there was a Danish merchant who used to publish the market quotations weekly. These quotations were later looked upon as the market values, and contracts were being made on this basis, until the Danes realized that this was too great a power to be in the hands of a merchant. Then a committee was appointed to fix the minimum price weekly at which butter would be sold, the price usually fixed being a low one. Many dairies were able to obtain a higher rate, which was called overprice. The overprice was only paid where necessary, consequently many dairymen were contented with the committee's quotation, while others were receiving considerably more. The overprice gradually grew until 1884, when it reached 19 kroner, and the market broke. In 1894 the farmers demanded two votes on the committee. Later on the merchants and dairymen separated, and formed a committee each, the price and quality being now more uniform. In order to judge the market the farmers' committee got the factories to send in weekly the price received, so as to be a guide in the fixing of the following week's quotation, and consequently the overprice from then on did not fluctuate to any extent. The dairy companies' and merchants' committees each issue a quotation, and as a rule the farmers' quote is a little higher than that of the merchants' committee.

Merchants.		Farmers.		Over.
110	..	112	..	0
108	..	108	..	20
106	..	106	..	20
107	..	107	..	40
109	..	110	..	32
107	..	108	..	..

(If sales grow slow, reduce price.) The greater part of Danish butter is sold f.o.b., but if there is a surplus it may be sent on consignment.

That is practically all that will interest the members of the Committee. I was very interested to meet this Mr. Faber, for these things are not generally understood. There are too many going round and saying there is no price-fixing in Denmark, and what is good enough for Denmark is good enough for us here. But if we only had a record of the prices at Home it would be a guide, if we are co-operating with the merchants here, to suggest the prices that should be received. As I mentioned before, I am satisfied that control is absolutely necessary if we are to bring about better shipping arrangements, and, further, be able to regulate the arrival of our goods on the market. It will also help us a great deal to attend to our insurance, to be able to advertise New Zealand goods, to have our Advisory Committee at Home, and our Intelligence Department to see to our price-recording. If we have all these things the market will take care of itself. In dealing with the marketing clauses of the Bill I have heard that many of the factories would be prepared to fall into line if the marketing clauses were eliminated. I understand that the proprietary factories in the South Island would fall into line if the marketing clauses were eliminated. But I would like to see the marketing clauses kept in the Bill. Though I do not think they will be used for many years to come, we like adequate powers in any arrangement we make. We do the same thing with our dairy companies: we draft our memorandum and articles of association, and we provide in them the widest possible powers, and leave it then for one set of men to administer them, and I have never seen an injustice done yet. I think if it applies in the case of articles of association in dairy companies it applies also in this case to the Bill and its marketing clauses. I think we should have wider powers in the Bill, but we should retain these marketing clauses. For the want of control to regulate our produce on the market I maintain that we might lose anything up to £1,000,000 a year. If you take this year, 1s. per hundredweight on our present tonnage is £20,000, and it only requires some 8s. 6d. per hundredweight to run into a million of money. Those are huge figures, but they should be taken into consideration if we are to bring about any improvement at all. Even 1s. per hundredweight is worth working for. We have reached the time when we should stand shoulder to shoulder in the interests of our own industry in the Dominion. I trust that Parliament will support what we believe to be the best working proposition ever placed before the dairy companies of this country.

2. *Mr. Langstone.*] I suppose you have seen by the papers that they are establishing a dairy-control pool in Australia?—Yes, I have heard of it.

3. At the present time you have an agent dealing with your supplies in the Old Country: you do not necessarily deal through Tooley Street?—Oh, yes, we do. But we have the Marketing Association, that handles supplies direct through our agents.

4. You said that you got better prices than through Tooley Street?—As good or better, with the New Zealand Marketing Association.

5. And if you had the lot of the dairy-produce to be dealt with in that way you would still get better results?—We would hope to, when we have some form of holding the market. As we are working to-day we are in competition with Tooley Street.

6. It has been stated previously in evidence that Tooley Street advances up to 90 per cent.: I suppose the farmers could arrange for that to be done through control?—I take it that through control we are going to finance on practically the same lines as we have done in the past, probably through Tooley Street. There is no attempt to eliminate Tooley Street in any shape or form.

7. I suppose that really the best time for our produce to go on the market is during the English winter because there is less competition with other lines of dairy-produce?—Certainly, if we are to regulate it; but I am strongly of opinion that it would pay New Zealand to put our produce on the market in even quantities for at least nine months in the year, and probably for the whole fifty-two weeks. I find that the people in England are very conservative, and therefore once a brand gets on to a market that market demands that brand regularly; if they cannot get it regularly they go off it and on to something else, and then it is hard for that brand to get back on to the market again. I believe that although we may have to take a little less during the English summer, in the aggregate we would be very much better off.

8. *Mr. Burnett.*] You are from Taranaki?—That is so.

9. Have you a wide personal knowledge of the Taranaki dairy-farmer?—I have been for sixteen years representing a dairy company there, with an output of 2,000 tons of cheese, and for thirteen years I have been chairman of that company.

10. Do you travel into the dairying districts of Taranaki?—Yes.

11. You are in close personal touch with the dairy-farmers there?—Yes.

12. You have probably had many arguments with them over this Bill?—Not many arguments.

13. What class of farmer do you find in favour of the Bill?—I do not know that any particular class can be sorted out as being in favour of the Bill. We find that different districts have different conditions—where there is more supporting the Bill than otherwise. You have to consider that in Taranaki we have had strong opposition to the Bill. Mr. Maxwell, who is a very able man, is at the head of it, and he has been responsible for persuading a great many of the dairy-farmers to oppose the proposition—more in North Taranaki than in the south.

14. Why?—I could not say; it seems to be better organized there.

15. Where do you find the fiercest opposition to the movement comes from?—We find that there are several gentlemen taking a stong attitude against the Bill.

16. Is it the proprietary interests?—No; it is the co-operative people who are pushing the opposition.

17. I suppose you have given mature consideration to this statement of yours about the industry losing a cool million as a result of the lack of control?—I believe it is possibly losing a million—that only requires the loss of 8s. 6d. per hundredweight to make a difference of a million a year.

18. Through lack of control?—For lack of better provision for getting our goods on to the market.

19. Is that the want of shipping regulation?—Shipping regulation and, of course, cool storage.
20. So that you are straight-out for compulsory pooling?—Undoubtedly. I have had too much experience of the voluntary principle. There is not sufficient loyalty among the factories for them to stand together without compulsion.
21. So for the successful marketing of the dairy-produce you must have compulsion?—I believe so. The Bill is not worth the paper it is written on unless you have the compulsory clauses.
22. I was rather surprised at the suggestion you made that it would be necessary to set aside money for cool stores in London?—I did not say “set aside” money for that purpose. There are plenty of cool stores there.
23. Seeing that we have ample cool storage here, do you not think that by successful regulation of the shipping there would be no need for going to the expense of providing big cool stores in London?—No; I suggested a little cool storage. If we can get regular deliveries on to the market at the other end we do not require any cool stores—we want regular deliveries.
24. Regular shipping would obviate the necessity for going in for cool stores?—We have fast boats and slow boats, and even if we have regular despatches we might not have regular deliveries.
25. *Mr. Hawken.*] You understand that a very considerable reduction was made in the freight on meat, but that only a very small concession was obtained in the freight on dairy-produce: Do you think that that was owing to the operations of the Meat Control Board?—I am satisfied that but for the operations of the Meat Control Board you would not have got that reduction in meat freight. The Meat Board held a stronger position than the representatives of the dairy people.
26. You think that the dairy people suffered through not having a Board to represent them?—Undoubtedly. We are not able to make a binding contract.
27. Do you think that the agitation against this Bill is growing?—I cannot say. I have no reason to think so.
28. It has been stated here, for instance, that your company is against the Bill, but that you have not taken a vote. The Hawera company has been mentioned, too, in the same connection, and it has been generally stated that the agitation against the Bill is growing. You have an intimate knowledge of the way things are going: what is your impression as to such a statement as that?—I have no knowledge of any growth in the opposition in South Taranaki against the Bill. There was one vote taken at Stratford, and I have no information of any alteration in the feeling there.
29. Now, in regard to the advantage of having a Control Board in respect to selling, can you tell us how the factories sell their output here in New Zealand?—Well, in the majority of cases there is very little selling done; it is nearly all open consignment.
30. But certain factories do sell their outputs?—Well, small factories in the north do. There is none that sell, barring in parcels—not in total outputs.
31. Does your knowledge of pay-outs lead you to consider that those who consigned did better than those who sold?—Undoubtedly, in 99 per cent. of the cases.
32. What information has a factory got when it sells?—You get certain information through the merchants. We generally go to the merchants for information, and we get information also from Mr. Ellison, whether it is advisable to consign or not. But for total outputs it is open consignment in Taranaki principally.
33. Do you think that with a Control Board the factories would have better information?—I am satisfied that they should have. The information we get at the present time is from the individual merchant, and from Mr. Ellison, who is, however, not able to give the work all his time. With a Control Board you would have two or three men stationed in London, and it would be their duty to be in touch with the conditions all over the world—climatic, production, and consumption—and we would be kept well posted with general conditions. But I do not know that that affects the case as to whether you should sell or consign. We find also, when we do make a sale, that the merchant knows a lot more about the conditions than we do, and usually we come off second best.
34. You think that the small company selling with the knowledge that they have at present must inevitably get a lower price in the end than those who consign?—In nearly all cases. We have had two good selling seasons out of about fourteen. I think some of the South Island gentlemen will support me in that. For about ten or twelve years on end the South Island men sold their goods, and the majority of those companies have “missed the bus” all those years.
35. As to finance, is it not a fact that Tooley Street at the present time is competing with the banks in the matter of exchange?—That is so; but I think it is the banks that are competing with Tooley Street—if you would put it the right way.
36. That Tooley Street is doing the exchange at a lower rate than the banks?—That is so. The bank has been urging us to put our surplus through them.
37. Do you think that under the Bill more control by the farmers would be exercised over the exchanges?—There is every reason for it, to my way of thinking.
38. I understand it is costing a great deal for exchange at the present time: have you any idea what it does cost in exchange?—No; but I think you will get that from Mr. Brash. I am not posted up in exchanges.
39. Do you expect that the advances that now exist will increase as the supply becomes much greater?—I could not say. I would not like to pass an opinion upon that point.
40. With further supplies you would think that the necessity for control will become greater?—You would naturally think so.
41. *Mr. Masters.*] Mr. Forsyth, Mr. Langstone asked you if you knew there was an intention to form a dairy-produce pool in Australia, and you replied, Yes, you believed so; you had heard so. Where are they attempting to form dairying pools in Australia?—I have only read the paper reports to that effect, that they are moving in a similar direction.

42. Where?—In Australia. I do not know of any particular parts where they are doing it. I have only heard it. I have not studied it.

43. You have no knowledge of it?—No, only from the small extracts I have read.

44. You know that an attempt to form a pool was made in Queensland?—I have heard of it.

45. Have you heard the result of it?—No.

46. Would you be surprised to learn that it was turned down?—I am not surprised.

47. They had a kind of Marketing Committee in Queensland, and on account of a shortage of butter in Victoria they effected sales: do you know what the result of that marketing was?—I do not know anything of it.

48. Can you speak on behalf of your suppliers and say that your suppliers are in favour of this Bill?—Well, as far as I know, they are.

49. But you do not know?—Well, I should know. I have not consulted them for quite a period; but I do not know that there is any reason to think they have changed their minds.

50. You cannot say that the Eltham suppliers are in favour of the Bill?—They may have changed their minds yesterday, but they were in favour of it when we discussed the matter with them.

51. Can you say definitely that they are in favour of it?—Well, I hope so. I can say that they should be in favour of it.

52. Do you remember attending a meeting in Stratford when a resolution was passed unanimously that all chairmen of directors should go back to their districts and call special meetings of their suppliers so that a vote could be taken in order to get a correct indication of the feeling of the individual suppliers? Did you call a meeting?—I could not say whether we called a meeting since that.

53. You must know whether you called a meeting. That meeting was only on the 24th May of this year?—We had already called our meeting.

54. A special meeting to discuss this Bill? Then you did so before this Bill was brought before the suppliers. You did not carry out that resolution?—No; but we passed a resolution at the previous meeting. I could read it to you.

55. You realize that there is something necessary to be done in the way of improving shipping?—Yes, undoubtedly.

56. Well, do you not think it would be wise to set up a Producers Board first of all, to give them legislative power to control the produce of New Zealand and to make contracts for shipping and see what improvement could be made in that direction before we took on the bigger thing: as a tradesman, don't you think it is wise to act prudently and go on careful lines?—Well, Mr. Masters, I have given this every consideration, and I consider that the lines we are going on at the present time are going to be in the best interests of the dairy industry.

57. You believe in "going the whole hog"?—Yes; I do not say that we are going to use the compulsory marketing clauses for some time to come.

58. Do you approve of an attempt being made to effect some improvement in the shipping, first of all—that is the most important matter, more important than the marketing?—That is so. If we can get proper control and regulation of shipping the marketing is going to look after itself to a great extent.

59. In that case it would be wise to attempt the improvement in the shipping first?—Yes; but the reason why I go further is because in connection with that matter of shipping we want a Committee at Home for price-recording and for an Advisory Board.

60. But you already have a Marketing Association: do you say that has been an unqualified success?—But that is only for a portion of New Zealand.

61. In regard to the election of the Producers Board, don't you think it would be more democratic if you gave every supplier an opportunity of having a say as to who should control his affairs and get away from this American system of election?—It may be more democratic; but how can you get the intelligent vote of every supplier in New Zealand?

62. They are intelligent men?—I do not even regard it as democratic to give one factory one vote, because one factory represents fifty suppliers and another represents five hundred.

63. But the produce of the small man is just as valuable to him as the produce of the big man is to the big man?—I take it this way: we cannot go back to the individual supplier to get his opinion on these matters. They appoint the man who is considered the best of the suppliers to run their concern. We do not go to the suppliers when we want to sell their produce.

64. We were told by Mr. Morton that the promoters of this Bill were the representatives of the cheese-factories of South Taranaki: you were one of the promoters?—That is so.

65. How do you account for the fact that the big cheese-factories in South Taranaki, with the exception of Hawera—?—And Eltham.

66. I am not quite sure of Eltham; but how do you account for the change of opinion on the part of those factories, Kaipokonui, Joll's, Normanby: they were the promoters of the Bill?—They were some of the promoters.

67. How do you account for the fact that the big factories throughout Taranaki are against it?—Of course, I look upon as big factories only four or five of the large ones, and they are not all opposed to it. The principal reason for the present opposition is the organized opposition against the Bill. There have been letters on the subject in every paper, factories have been canvassed, and propaganda work has been done in connection with this matter, whereas there has been nothing done by the promoters, except the holding of three large meetings, since the time it was first mooted.

68. You said that what was good for other countries was good for us: the Danish people, whose principles you enlarged upon, have no compulsory system, have they?—No, not that I am aware of.

69. That has been good enough for them?—Yes.

70. Then it would be good for us?—But we are not on all-fours with them. We have not their unanimity. The Danes are in a different position to the New-Zealanders. The majority of the New Zealand dairymen are in a comfortable way. It has taken the Danes about fifty years to reach their present position, and that is the principal reason why I say that without compulsion the Bill is no use, because we could not get support. As far as the Danes are concerned, they are up against bad conditions—housing—and they have a very small return of profit in Denmark. They are further ahead in co-operation.

71. You have not much faith in the loyalty of the New Zealand dairymen?—That is so.

72. You were definite that we should retain our individual brands of produce?—When did I make that statement?

73. This morning?—No; it is not my opinion.

74. Do you think we should have a universal brand?—I believe the time will come when it will be in the best interests of the producers to be able to advertise and sell one New Zealand brand, advertised as New Zealand sold on grade. They could have individual brands in small letters. The Danish produce is not known by individual marks.

75. But do not certain factories have special demands for their particular brands now?—That may be so, but we are up against the necessity for a continued supply in one particular brand going to any particular customer. They have got to take other ones sometimes.

76. You say we are too far away from the market for price-fixing?—For price-fixing here.

77. You approve of price-fixing in the Old Country?—I would support price-recording. If we can co-operate with Tooley Street we may be able to arrange the prices, but we should not attempt to fix a price. We could suggest or arrange a minimum price, according to conditions.

78. You have had some experience of the Co-operative Wholesale Society?—I have met their representatives.

79. And you were an advocate for selling our produce through the Co-operative Wholesale Society?—As long as they are able to take it. The Marketing Association is separate altogether. We have a company here, and we also have a company in London which is our representative of the New Zealand company and of the Co-operative Wholesale Society. We sell a great deal of our produce through the the Co-operative Wholesale Society.

80. Did the Eltham Factory sell any through the Co-operative Wholesale Society?—I do not know, but we have consigned some through the Marketing Association. The Co-operative Wholesale Society and the Scotch Society are the Marketing Association's main customers.

81. Would it be possible for you to give the Committee a comparison between the prices got through the Co-operative Wholesale Society as against Tooley Street?—Do you mean the Marketing Association's? The arrangement we have arrived at between the Marketing Association and the Co-operative Society is that they are doing the financing, but there is no obligation on their part to take our goods at any particular time. They can take them or leave them. We found that Tooley Street tried to cut the ground from under our feet by undercutting what we were prepared to sell at.

82. You are a member of the National Dairy Association?—I am, sir.

83. You made a statement that the National Dairy Association could not legally bind the dairy factories in the matter of shipping their produce?—That is so.

84. Morally, the dairy factories are behind the National Dairy Association?—Yes.

85. Do you know of instances of factories pulling out from the National Dairy Association?—There was an endeavour to get outside, but the trouble is that we cannot get outside because we have not got the pull in freights.

86. And you usually block them?—We will probably do so because we have made the contracts in good faith.

87. You have been able to make the contracts, and speak for the whole of the New Zealand producers, without being legally able to do so?—We have legally made the contracts, but the factories are not legally bound to put their goods through us.

88. You have not been able to speak on behalf of the factories?—That is so.

89. *The Chairman.*] I understand, Mr. Forsyth, you wish to make a statement in regard to a point raised by Mr. Masters?—Yes, the meeting we held was probably held before the meeting to which Mr. Masters referred, and that would be the reason why we thought it was unnecessary to bring our shareholders together again to further discuss the matter. I believe my directors were the first directors of a dairy company in New Zealand to approve of the first Bill that came out. I had the opportunity to take a copy home before it was circulated, and I was at a meeting of my directors the following day, when they passed a unanimous resolution, and we have since discussed it and we are still unanimously in favour of the Bill—that is, the directors, and the shareholders are guided a good deal by what the directors have got to say. This is the report of the meeting: "Minutes of extraordinary meeting of shareholders held in Town Hall, Eltham, on Tuesday, 24th October, 1922, at 10.30 a.m.—Secretary read Dairy-produce Export Control Bill. Chairman gave explanation of scheme. Cocker-Wood: 'That this meeting approves of the conditions of the Dairy-produce Export Control Bill, and also urges on the Government the passage of the Bill Carried with two dissentients. Number of suppliers to company, 253.—H. Northover, Secretary. Eltham, 24th July, 1923.'" I have heard a statement made that the Eltham shareholders had never been given an opportunity of discussing the Bill. Of the two dissentients one was supplying the Maoriland Factory. As far as we know, the shareholders are strongly in favour of the Bill.

90. *Mr. Field.*] How many were present at the meeting?—I did not take a record of them. My secretary was laid up, and I had to get an assistant to write that memo. I was only able to get at the rough minute.

91. Was it a large meeting?—A representative meeting. Out of 250 suppliers you would not get more than 150 to attend. We always take it that those who are not attending are not opposing.

92. The two main difficulties confronting the industry are shipping and marketing?—Shipping and regulating on to the market.

93. What is the constitution of the New Zealand Marketing Association: who was it set up by?—By the factories taking shares. It is really a limited liability company set up here in New Zealand and called the New Zealand Marketing Association.

94. It does not represent all the factories in New Zealand?—No; only those willing to take up shares.

95. If it were representative of all the factories, do you think the work it might do would answer the purpose, plus the regulation of the shipping?—It would be very difficult to say that it would answer the purpose. What I believe in in connection with control is that we are going to eliminate the large number of agents that are travelling round New Zealand at the present time. That would mean a big saving to the producers in New Zealand.

96. You mean that there are too many getting a cut out of the thing to be satisfactory?—That is so.

97. As to the question of irregular shipping, not long ago I was assured by the managing director of a large proprietary factory that the sailings of ships carrying produce to the Old Country was dictated by one man in Sydney: is there any ground for that statement?—No, I do not know anything of that.

98. You say that there is no compulsion in connection with the Danish methods, but what practically makes up for compulsion is their loyalty?—Yes, that is so.

99. That statement was made by the Minister?—What I have read practically reiterates what the Minister has stated.

100. That is an accurate statement of the methods of marketing Danish produce?—Yes.

101. When a factory is trying to make up its mind as to whether to sell or consign, has not it a true guide as to the ruling price in London?—Yes, the prices ruling at the time, but we do not know what will happen in twelve months' time. You never know how the market is going to go. We had the same experience this year. We were advised to change from cheese to butter. Some of the most influential agents strongly advised that change early in the season. Of course, it was expected that butter would rise, and cheese had been held up in store, and they did not know what their cheese-market was going to be like. But their expectations did not eventuate. Cheese held up and butter went down.

102. What you want to arrive at is some scheme to consign the butter or cheese to the Old Country and there sell it to the best advantage according to the market then existing?—That is so. That has been our experience in the past over a number of years.

103. And the cabled prices, even if they are reliable, are not of very much help?—They are a guide, but we cannot tell what is going to happen in three months' time.

104. *Mr. Forbes.*] Whom do you have representing your National Dairy Association at Home?—*Mr. Ellison.*

105. Does he keep you advised as to the prices: what does he do?—He keeps us advised as to the prices and conditions at Home.

106. He does not handle the produce?—He only deals with what goes through the Marketing Association.

107. Have the Government got any officers at Home who look after dairy-produce?—Only *Mr. Wright*, I think, attending to the grading portion of it.

108. There is nobody there to watch the markets?—*Mr. Ellison* has not sufficient time to look after everything.

109. You have not been sufficiently represented at Home?—No, not sufficiently.

110. *Mr. Hawken.*] In reference to the Bill, I have a letter here from the Kaupokonui Dairy Company as follows: "I wired you on 18th instant, asking for your help in obtaining exemption from the proposed Dairy Control Bill owing to our obligations under an existing contract with our London agents. This contract has made it impossible for us to take any part either for or against the Bill": Does that coincide with your opinion?—Yes, but I did not like to say so when the question was asked.

GEORGE ALFRED STANTON examined. (No. 18.)

1. *The Chairman.*] What position do you hold, *Mr. Stanton*?—I am a supplier and a director of the Kaitieke Co-operative Dairy Company. We have 530 suppliers, and manufacture butter on the home-separation principle. The output of the factories is approximately 800 tons. My company has discussed the Dairy-produce Export Control Bill. The directors support the Bill and have placed it before two meetings of suppliers held in May of this year. One meeting was held at Taumarunui, and the other meeting was held at Nihoniho, in the Ohura. I might explain that we have two factories, one in the Ohura and the other on the Main Trunk line at Piriaka. It was considered advisable to hold two meetings of suppliers so that they might in both these places have an opportunity of expressing their views on the proposal. At both meetings resolutions were passed supporting the Bill. I am familiar myself with the Bill and believe it is an honest attempt to better the conditions of the dairying industry in regard to both shipping and marketing. I believe that there is a special need for this control, and I trust that members of Parliament will realize that, although the value of our produce this last year was £16,000,000, in round figures, not less than £2,000,000 of that amount failed to reach the pockets of the producers. That is, practically £2,000,000 were absorbed in insurance, 2½ per cent., commission, freight, handling charges, &c.

2. *Mr. Masters.*] Does that £2,000,000 include the freight?—That is, that it costs £2,000,000 out of £16,000,000 to market our produce from the port—that is, excluding railway charges and manufacturing charges in the factory.

3. *Mr. Forbes.*] Freight is the biggest item?—Yes; insurance costs, roughly, £120,000, and commission £400,000. These figures are approximate only. It is my belief that by this system of control it would be possible to reduce those charges. I do not wish to stress any other points, but I will be glad to answer any questions members of the Committee may wish to put to me.

4. *Mr. Forbes.*] Your factory is pretty well unanimous in supporting the Bill?—Yes, there were only two dissentients at one meeting and about twenty at the other.

5. And who placed the matter before the suppliers?—I myself placed it before them, having a copy of the Bill and reading it clause by clause, and asking for questions on each clause, and explaining or answering the questions as they arose, to the best of my ability.

6. Being in favour of the Bill yourself you would place it in a favourable light before the suppliers. There was no opponent travelling round there?—Of our nine directors, one director, while believing that control is necessary, strongly objects to the compulsory clauses, and he took the other side of the question.

7. Do you think the meeting was agreeable to the compulsory clauses?—The meeting considered that the Bill was in the best interests of the producer. I might say that these 530 suppliers are mainly small settlers. When I say that the output is just under 800 tons you can see that they are all small hardworking farmers.

8. Do you think they would be agreeable to have their produce taken over entirely by this Board—compulsorily taken from them?—My explanation was that at the present time we hand our produce to our agent: we do not have any say. In handing it over to the Board it would be handed over to seven men selected from their own number—from the producers themselves—and if we at the present time are content to hand our produce over to firms who have no interest in New Zealand, except that they make a certain amount of commission from the sale of New Zealand produce, we feel that we would be doing no hardship in handing it over to the Board. I have sixty cows and am personally interested to that extent. I feel that we would be handing over our produce to men who were practical men, and sympathetic men.

9. Don't you see a difference between handing it over to a company for sale and having it taken from you by compulsion?—But the compulsory clauses are in the Meat Control Bill, and I have not heard that any hardship has been inflicted because of those compulsory clauses.

10. They have not taken any meat compulsorily?—But the whole thing is devised by producers in the interests of the producers, and we are guided to a certain extent by the experience of the meat people and their Bill. We believe that those clauses are in the interests of the producer. They are necessary, but we do not feel that they are any hardship.

11. You can get very little experience from the Meat Bill because the compulsory clauses have not been put into operation?—I understand that this is not compulsory marketing. This is solely placing the produce in their hands to put it on the market.

12. *Mr. Masters.*] With reference to the £2,000,000 you mentioned, how much do you think you are going to save under the Dairy-produce Control Bill?—I mentioned one item, insurance, that is costing the dairy industry £120,000 a year. How many thousands are lost per annum by ships sinking or catching fire? There is a very large avenue there for saving. If one insurance company got that £120,000 do you not think they could reduce the insurance premiums on dairy-produce considerably? In regard to freight, we think that 5s. per box—that is, 100 per cent. above pre-war freight—is more than we should be charged, and a saving could be effected there. Then there is £400,000 spent in commission. I think there are large possibilities for effecting savings there.

13. You have the National Dairy Association?—Yes.

14. Could not the association have done something to reduce the insurance?—Each company effects its insurance where it feels inclined.

15. You have an organization at the present time?—But no compulsory powers.

16. But if they were working in the interests of the industry they would have seen that you got a reduction in the insurance rates?—I believe they are working in the interests of the industry.

17. How much reduction has been made?—I cannot speak for that because I have had only nine years' experience.

18. *Mr. McMillan* said that commission should not be more than 2 per cent.?—I am not prepared to express an opinion on that.

19. Do you think that $\frac{1}{2}$ per cent. would save you £80,000?—Yes, that is so.

20. But you are putting into the Bill a levy of £100,000?—No, sir, we suggest certain maximum charges, but no Board would collect more than they actually require.

21. The Meat Board have power, but they have not put into operation the compulsory clauses?—I understand that is so.

22. Now the promoters of the Dairy-produce Control Bill say that the Bill is of no use without compulsion?—The very fact that these clauses are there gives you the power without exercising it.

JOHN DUNLOP examined. (No. 19.)

1. *The Chairman.*] What are you, Mr. Dunlop?—I am a supplier of the Seaward Downs Dairy Factory, and also chairman.

2. Where is that?—In Southland. I am here representing Southland and, with another, Otago factories in favour of this Dairy-produce Export Control Bill. We have in Southland and Otago fifty-four co-operative factories in favour of the Bill.

3. *Mr. Masters.*] Are you putting in the names of them?—Yes [list put in].

4. You are authorized to speak on behalf of them?—I am not authorized to speak on behalf of all of them; but all these factories have approved of the Bill, and have at times signified their approval.

5. What proportion of the factories down there do you represent?—I represent fifty-four factories in Otago and Southland. I can claim that the opposition can only bring in sixteen factories opposed to the Bill, and seven out of that sixteen are proprietary factories. There has been a very strong feeling in favour of the Bill in Southland during the last six or twelve months. When the Bill was before the Committee last time I was here representing seventeen factories in favour of it. Since then a good number have come in, and some that were opposed to the Bill then are to-day in favour of it. I put in a telegram from the Woodlands Factory. Last time the chairman was up here and opposed the Bill, but my telegram to-day is from the chairman in favour of the Bill.

6. *Mr. Masters.*] We had a director giving evidence against it?—Yes; a director of that factory was here opposing the Bill, but not on behalf of his own factory—on behalf of several other factories. I can claim to be able to say that the feeling in the South has gone strongly in favour of the Bill. We have had every chance to consider the Bill. It has not been rushed on the people. For the last twelve months we have been negotiating for the purchase of a cool store at the Bluff, and in these negotiations we have had to meet suppliers and shareholders of different factories, and the feeling has got stronger in favour of the Bill. At a meeting held at Winton sixty dairymen were present when this Bill was explained by Mr. Adam Hamilton, after which a motion was carried in favour of the Bill, with only one dissentient. The Southland executive of the Farmers' Union has on several occasions carried resolutions supporting the Bill, and at the meetings of the branches of the union I have never yet heard any one oppose the Bill. The Southland gentlemen who opposed the Bill said a good deal about what the proprietary factories were doing in Taranaki. That was the man who was representing the factories opposed to the Bill, but I noticed that he made no mention of the different conditions—the conditions with which he was familiar with in the South, where he and I come from. We have in Invercargill two proprietary factories, and last year a movement was organized by the suppliers who were discontented and they started a co-operative factory. This factory was opened by the New Year time last year, and it opened with 800 suppliers, and most of those were drained from the two proprietary factories. Here is a telegram from the chairman of that factory strongly supporting the Dairy Control Bill: "Directors Farmers' Dairy Federation (Limited), Invercargill, representing eight hundred cream-suppliers unanimously approve Dairy Control Bill.—Fisher, Chairman." This shows the conditions and feeling about which the Southland gentleman who gave evidence against the Bill could have spoken, but he dealt with a portion of the country of which he knows nothing. I feel that the conditions in the South are not similar to those in some other parts of the Dominion. I was present when some of the witnesses were giving evidence, and I was surprised to hear one witness say that they were giving their buildings, plant, and property as security against advances. We in the South know of no other security to be given against advances than butter and cheese. I have never heard of anything else being given. I would point out that the Board would have just the same security as the individual factories have to-day. One Taranaki witness said that the dairy-farmers are not in the same position as the meat men were when the Meat Control Bill was put through for them. I grant that they are not, but I would ask what has taken place in Taranaki. In the South the farmers are feeling the pressure, and a number have left their farms, and there are others whose position is not to be envied. They are not in a good way at all.

7. *Mr. Masters.*] They have too high-priced land?—Yes, possibly. They must get all they can out of it, and I think they would get more out of it under this Bill. Quite a good deal of capital was made out of the vote-taking in Dunedin. Without fear of contradiction I would say that the vote was taken by the strongest opponent to the Bill, Mr. Agar. He emphasized that they would demand a secret ballot. It has been shown by that vote that there were more votes recorded than there were factories in the South. Every factory over a certain tonnage has two votes, but where the one vote stops and the two votes begin I cannot say. They demanded a secret ballot, which was taken, and the result was eighty-nine for the Bill and thirty-six against. That is how it came about, and it was no fault of any one's. The opposition were clamouring for it, and they got it. I feel that the farmers in Southland were never more unanimous on any point than they are to-day on this question. I have here a telegram from the chairman of the Mataura Dairy Factory, who opposed the Bill. He says, "Still maintain that South Island Dairy Association should be only controlling body for South Island with full legal powers arranging levy insurance intelligence department factory retaining right to market own produce." He is different to quite a number of others in the North, who are objecting. He is not antagonistic to the association, as are some of the men in the North. I have heard statements made that are not very flattering to the National Dairy Association, but there is nothing like that feeling in the South. We are quite satisfied they are doing all they can, with their powers. On behalf of the factories which I am representing, I ask that the Bill be not thrown into the harbour, as some witnesses have suggested. We ask that it should be taken up and passed into law.

8. *Mr. Forbes.*] Is the South Island Dairy Association in favour of the Bill?—Yes; they have not passed a resolution for presentation to this particular Committee, but they did for the last Committee, and their attitude has not changed.

9. Are they represented here?—There is one member of the South Island Dairy Association present.

10. Is he here to give evidence?—No.

11. Is it not surprising that the South Island Dairy Association is not taking a prominent part in the controversy?—They are taking a prominent part in it: they are in favour of it.

12. Are they travelling round advocating the Bill and addressing the suppliers?—No, they have not addressed any suppliers at factories.

13. You have fifty-four factories in Southland and Otago in favour of the Bill?—Yes.

14. Do you take silence as giving consent?—No.

15. Would you think it is fair to take silence as consent?—Yes, because they know of it. They would get up and voice their objections if they had any.

16. How would you deal with a case like this: I have two factories in my district, and I asked for their opinions on the Dairy Control Bill, and their reply is that they have considered the Bill and they leave it to my discretion to act in the interests of the farmers: where am I?—You are pretty safe, I think, in supporting the Bill.

17. Would you put them down in favour or against the Bill?—They could not be against it or they would kick up some noise about it.

18. *Mr. Masters.*] In regard to that Dunedin vote, the result is not a true indication, either for or against the Bill?—That is quite correct.

19. Because I understand that where the subscription to the South Island Dairy Association is £12 10s. a factory gets one vote, but where it is over £12 10s. they get two votes, so the result is not a true indication either way?—No. But the indication is that they are for the Bill, because the number for the Bill is more than double that against it. But it is not a true indication in itself.

20. You said that you are making arrangements for the erection of cool stores at the Bluff?—We went out to purchase the cool stores there, but we could not do it, and we went into the question of building, and finally we purchased the cool stores at the Bluff from the Harbour Board.

WEDNESDAY, 1ST AUGUST, 1923.

MR. R. COBBE examined. (No. 20.)

1. *The Chairman.*] Your full name, Mr. Cobbe?—Richard Cobbe.

2. And you are representing?—The New Zealand Dairy Farmers' Union.

3. You appear in support of the Bill?—Yes, sir.

4. Will you make a statement?—Yes, sir. Mr. Chairman and gentlemen, I am not here to give evidence on the clauses or the details of the Bill: I am simply here to affirm the general principle of the Bill on behalf of the New Zealand Dairy-farmers' Union. The executive of the New Zealand Dairy-farmers' Union have instructed me to interview the members of this Committee and to inform them that their union is unanimously in favour of the Bill. We have had conferences of the provincial executives and of the Dominion executive, and the motions to affirm the principle of the Bill have been agreed to unanimously. We have not had one voice raised against it at the conferences. It is true that we are suggesting certain amendments, but we suggest those amendments simply to give this parliamentary Committee some idea as to how we feel on certain aspects of the Bill. But I want this Committee to quite understand this—my executive have instructed me to emphasize this fact—that any such amendments we are not pushing if the pushing of those amendments would impede in any shape or form the passage of the Bill this session. That is one thing that I have been asked to impress upon this parliamentary Committee by my executive. I am not expressing a one-man view, or anything of that kind. I am simply expressing the decision of the Dominion Executive of the New Zealand Dairy-farmers' Union. I may say this, gentlemen: Our organization to-day shows something like five thousand financial members. I think we are probably the largest organized body of dairy-farmers in the country. Possibly the National Dairy Association may have a greater membership, but of course that association is run on totally different lines. I am not going into any of the details of the Bill: that is not my province. I am simply here to affirm the principle of the Bill. We are quite satisfied that the Bill will be for the benefit of the dairy-farmers, and I am here to ventilate that opinion. I do not think there is any need for me to go any further into the matter. Here you have something like five thousand dairy-farmers who are organized and who are in favour of the Bill. We want something done, and we believe the Bill is an honest attempt to do something for the dairy-farming community.

5. *Mr. Langston.*] Can you give us any idea of the suggested amendments? Evidently the Bill is not totally satisfactory as it stands?—I am instructed not to push any amendment or to discuss any amendment. I am simply here to inform this Committee that the New Zealand Dairy-farmers' Union is in favour of the Bill. We are under the impression that this Committee, or some of the members of it, have got hold of the idea that some of the members of the Dairy-farmers' Union are not in favour of the Bill; but I wish to say that we are in favour of the Bill, and I am here on behalf of the New Zealand Dairy-farmers' Union to affirm the principle of the Bill.

6. Are you satisfied with the financial arrangements contained in the Bill?—Well, I would prefer to leave that aspect of the question to Mr. Grounds and this Committee. I have no instruction to give my personal opinion.

7. Is your union satisfied with the method of allocating the members of the Board as contained in the Bill?—If I might not, sir, I would rather not venture any opinion outside my instructions from the Dominion Executive.

8. *The Chairman.*] You only wish to affirm the general principle of the Bill?—Yes, sir.

9. *Mr. Hawken.*] Do you think, Mr. Cobbe, that the great bulk of the dairy-farmers are in favour of the Bill as it is?—Well, I can only express the views that I have obtained through attending the meetings of dairy-farmers, and undoubtedly, if their resolutions are anything to go on, they are unanimously in favour of it. In our district and in the Waikato many of the members of the Dairy-farmers' Union are in a large way. One member on the executive is milking 250 cows and his neighbour is milking 290. They are not small men. I think that the meetings have generally expressed the views of the man who has a large herd as well as the small owner.

10. *Mr. Masters.*] I am placed in a peculiar position. Representations have been made to me that there are quite a number of amendments wanted by the Dairy-farmers' Union. Now, they send a representative along here, and to all intents and purposes he is not prepared to answer any question asked with respect to the amendments they suggest? What is the position?—Mr. Chairman, would I be in order in not answering—

11. I have a whole list of amendments that the Dairy-farmers' Union have asked me to try and put into the Bill?—Mr. Chairman, might I be allowed to state the position in this way? We have the impression that the House, under certain circumstances, may possibly not be sitting much more than three weeks. We have no definite knowledge, of course, naturally, but my executive have that impression from the newspapers; and we feel that the time is extremely short. We recognize that if we force our amendments—the amendments which were passed at our provincial conferences—the chances are that the Bill will not go through this session. That is the point we wish to emphasize. I take it that it is quite possible to amend the Act in the following session if any of the provisions are not practicable.

12. And in the meantime you are prepared to swallow anything?—Hardly that. We are not asked to swallow anything.

13. As long as you get the Bill?—I am not expressing my personal views. My executive have the impression that the Bill is an honest attempt to do something for the benefit of the dairy-farmers.

14. Mr. Cobbe, what do you say to the Bill yourself, as a dairy-farmer. You are a pretty keen man. Will you give us your own private opinion on the Bill?—No, Mr. Masters, I am sorry to say I cannot. I am here representing the New Zealand Dairy-farmers' Union—not myself. I have no standing in this room as a private citizen.

15. Were you on the conferences that were held by the Dairy-farmers' Union?—Yes.

16. Do you remember a resolution coming forward from the Wairarapa Dairy-farmers' Union opposing the Bill?—Opposing the Bill?

17. Yes—in its present form?—It is not likely that such a resolution did come forward.

18. Yes, opposing the Bill in its present form. What has happened to that resolution?—Of course, the position is this, Mr. Masters: With a large body of farmers, certain opinions expressed at provincial union meetings are very often personal opinions. We sifted the whole thing out here at the Dominion Conference. We got the opponents of the Bill here, and those who were in favour of the Bill here, and we sifted the whole question out—and the consensus of opinion was in favour of the Bill. This Dominion Conference resolution has disposed of any difficulties brought up by any provincial union.

19. But it was carried at the Provincial Conference?—That may be so. I was not at that conference.

20. When there is a large section opposing a big change such as this, do you not think that that large section should have consideration, or do you think that the thing should be forced upon them? I will put it this way—I will give you an illustration: There is a suggestion for a Fruit-control Bill, and the Nelson growers are entirely in favour of that both by meetings and by signatures to a petition. But they ask for no compulsory clauses against any other people in the fruit industry. They do not require them. And there will probably be a Bill brought before the House on those lines. What are your views in regard to those who are opposed to the dairy pool?—Well, the Fruitgrowers' Association is hardly in the same position, for this reason: Those opposing the dairy pool—not altogether, but generally speaking—are straight-out proprietary interests.

21. Oh, no?—I should imagine so. That is the impression we have been given.

22. That is a wrong impression?—The whole of the gentlemen who have given evidence against the Bill here are representatives of proprietary concerns. If we have not some form of compulsion it is like giving a man the skin of an apple with nothing in it.

23. In addition to your occupation as a farmer you have been actively engaged in business?—Yes.

24. Do you not think, as a business man, it is a wise course to adopt, in a case like this, to bring about reforms gradually? In your own business you would not revolutionize your business all at once?—As far as I can see, the industry really requires legislation of this character, after what occurred at the time of the slump.

25. You do not think that the dairy industry is likely to go bankrupt?—I presume that the slump was responsible for the legislation which is now suggested.

26. Do you approve of the amount of the levy being charged?—We had an amendment with regard to that—that it should be half. We are not objecting to the amount so much, as we know that the Board would not levy for the whole amount, possibly only a proportion, but to keep it down we thought it would be just as well to suggest an amendment. But we leave that to the good sense of the House. With the evidence that the House will have before it it will be in a far better position than my executive to come to a decision on that point.

27. Do you base your views on the Dairy-produce Control Bill on the Meat Control Board in connection with the meat business?—We did not discuss the question of the Meat Board.

28. I am asking you?—I must say that I cannot express a personal view, Mr. Masters.

29. *Mr. Forbes.*] Where did you get your instructions from to come here to support the Bill?—From the Dominion Executive, which met in Wellington last week.

30. Where did they get their instructions from?—From the provincial executives. The provincial executives sent representatives to the National Conference, and of course they made the final decision.

31. You say that there are about five thousand dairy-farmers in your union: did you endeavour to ascertain the views of those five thousand dairy-farmers by means of voting?—Certainly.

32. Did you put a direct issue to them?—I would not like to say that a direct issue was put to them, but the various branches held meetings to discuss the Bill. And in an odd case or two their

decisions may possibly have been antagonistic to the Bill. Naturally some of the branches are small, and a lot of the members of such branches may not be very familiar with matters appertaining to this Control Bill. They did not really understand the position. Well, these decisions were sent to the provincial executives, and they discussed the matters with the representatives from the branches, and when certain clauses that they did not comprehend were explained to them they unanimously came to the decision that the principle of the Bill was a good thing to affirm.

33. You presume they are speaking for the whole of their members?—I am quite safe in saying that.

34. Do you think that everything that is passed at a conference is approved by all the individual members of the union? Are there not remits passed at conferences in a hasty way that are really not supported by the individual members?—That is so, but I hardly think that that could apply to such an important matter as this.

35. Well, where does the opposition come from? We have had a good deal of evidence given by the factories against the Bill?—I may say that the Dairy-farmers' Union have not been operating in Taranaki.

36. Where do they operate?—Mainly in the Waikato and the whole of the Auckland Province, and down through the Manawatu and Rangitikei.

37. They do not embrace the whole of the dairy industry?—Not the Taranaki district and the Wairarapa, but there are a large number of members in the Wairarapa district.

38. That is where the opposition is coming from largely, from those parts?—I presume it is coming from Taranaki.

39. Do you cover the whole of the Wairarapa?—No, not the whole of the Wairarapa. The Wairarapa has not been fully worked.

40. I have a paper here that states that nineteen factories voted for the Bill, and twenty-nine voted against the Bill. What happened to those twenty-nine factories that are against the Bill?—Where are the twenty-nine factories, Mr. Forbes?

41. In Auckland. You represent the Dairy-farmers' Union in that district, and you say that they are unanimously in favour of the Bill?—That is so.

42. Do not you think yourself it would be as well to have a vote—to give each individual dairy farmer a vote on the subject of this Bill? Then you could settle conclusively whether the suppliers are really for it or against it. Surely your union would not object to a vote being taken?—Oh, no.

43. If you say that you are representing a union faithfully you would not object to a vote being taken?—We have taken a vote at our union meetings and conferences.

44. Among the delegates, yes, but the complaint is that the delegates do not always represent the views of the individual members. The attendance at the meetings may be small. It is very difficult to tell what the real opinion is?—(No answer.)

45. There is another thing. Do you think there is any parallel between the Meat Control Board and this proposed Dairy-produce Control Board?—In what way?

46. Do you think the circumstances are parallel? Is it not a fact that the meat industry was practically unanimous in asking for the Meat Control Board? There was no division of opinion; there was no opposition. Now, with respect to this Bill you must recognize that there is a considerable body of dairy-farmers who are opposed to it. Do you not think that the rights of that minority should at any rate receive consideration?—Well, of course, in parliamentary life, for instance, that is the position: the minority does not receive any consideration. It is the majority that rules.

47. You think you would apply that principle to the dairy industry—that this minority should not have any consideration at all in regard to their views?—I can only apply that example. That is the experience of life. I suppose we have to put up with it. It is impossible to get absolute unanimity in such a matter.

48. You believe in compulsion to make a man join your union? You believe in compulsion being brought to bear on him?—Well, that is an extreme way of putting it.

49. If a dairy-farmer wishes to stand out, you would compel him to come in under this Bill?—I believe in majority rule, and if this parliamentary Committee is satisfied that the majority of the dairy-farmers want this Bill I believe that the Bill should be passed into law. You would get nothing done in this country if there had to be a unanimous decision. How many Bills would you get through the House in such a case?

50. You practically believe in compulsory unionism?—I am not dealing with unionism.

The Chairman: That is outside the question.

51. *Mr. Forbes.*] It is practically a form of united control. Do you not think that it should be a matter of voluntary association?—No, I do not.

52. You believe in compulsion?—I do not want to be drawn into any personal opinion. I think the union I represent recognizes that such a decision cannot be unanimous, and that there will be a certain number of people not in favour of it. I do not see how you can in everyday life avoid that.

53. You think that you are justified in forcing others to come in and abide by what is done?—I think the majority must rule.

54. *Mr. Langstone.*] I suppose, Mr. Cobbe, you realize that the economic law is a compulsory law and not a voluntary law?—I hardly like to deal with the economic aspect of the question.

55. A farmer is compelled to sell his butter to somebody?—I am afraid I cannot deal with that aspect of the question.

MR. F. WAITE examined. (No. 21.)

1. *The Chairman.*] Your full name, Mr. Waite?—Frederick Waite.

2. And your official position?—I am chairman of directors of the Co-operative Dairy Company of Otago.

3. Will you make a statement?—Yes, sir. I am sorry to say that I have had the influenza, and I may not be able to make myself sufficiently well heard, but if you cannot hear me you will just have to ask me again. I am a dairy-farmer from South Otago, and milk on an average from forty to fifty cows. I am chairman of directors of the newly formed co-operative company of Otago, and I may say that I represent the purely co-operative dairy interests in the South—

4. *Mr. Forbes.*] Can you give us the factories you represent?—I represent a good few. I will refer to that matter later on. I do not want to go into the question in detail. I am just reviewing the position as it was last year in the South. There has been a good deal of difference between the North and the South on matters of dairy control. We have had different points of view for some time, but at last we are beginning to think nationally, and even the dairy-farmers in the South, slow as we are, are beginning to realize that we must get in with the more progressive people of the North. A year ago, as you are aware, we in the South were against almost anything put forward by the North Island, but to-day we come here rather humbly and say there has been a revulsion of feeling in the South Island in regard to dairy-produce control. There was a meeting last year about the Control Bill. That business was ventilated at a big meeting at which there were over seventy delegates from all over Otago. I convened a meeting to form a really co-operative dairy-butter company in the South to work against the proprietary interests—or, rather, not really to work against the proprietary interests, but really to work in our own interests. The only resolution carried at that meeting last year had a great deal of prejudice against the control. This was the resolution: “That, seeing that the whole of the cream-suppliers of Otago and Southland will be absolutely unrepresented at the conference in Wellington, this representative meeting of the dairy-farmers of Otago enters an emphatic protest against any dealing with our produce without our consent.” That was the resolution carried at the biggest public meeting in Otago.

5. *Mr. Burnett.*] That was purely the representation on that conference?—Yes. At that time, sir, the scattered and isolated dairy-farmers of Otago only had proprietary concerns or joint factories to send their butter to their clients, and we were faced with this position: that, although we had no organization that could handle our butter, we had to be represented in Wellington by proprietary factories, who, of course, put their side of the case and not the case of the isolated dairy-farmers of Otago. I may say that I took a month off and we went round the country for the purpose of forming a company, and as a consequence we got £13,000 worth of shares taken up, and we bought out one of these dairy companies. Now, the dairy company that we bought out was called the Dunedin Dairy Factory. It had a brand-new factory, but it was an old-established concern. When the Dairy Control Export Bill was before the House of Representatives last year we find Mr. Dickson saying that he had received protests from the Taieri Peninsula, the Waitaki, and the Dunedin Dairy Company. Now, these three companies are the companies that handle all the butter, or, at any rate, all the butter of the Otago Province, and they are all proprietary companies. If we take the Dunedin Dairy Company's business I think it will be found that last year this particular company had five hundred suppliers who objected to the Bill; but when they were talked over by other suppliers they were all in favour of the Bill. When they were represented by the dairy company they were against the Bill, but when the position was put before them clearly they were all in favour of the Bill, and in consequence we got £13,000 worth of shares from them in order to buy out the companies I have already referred to. The farmers were anxious to support this organization because they are getting now what they could not get before in Wellington—namely, representation when the question of the disposal of their produce comes before Parliament, and so I am to-day speaking as chairman of directors of that dairy company which has been formed in Otago for the purpose of representing the scattered and isolated dairymen of that province. We have got to this position: that whereas a year ago the isolated dairy-farmers of Otago were represented by the proprietary companies, to-day they are represented by their own concern. We find that a great change has taken place, and that every co-operative dairy factory working in the interests of the dairy-farmers is in favour of the Bill that is before you gentlemen for consideration. We find, however, that every butter-factory representing proprietary interests is absolutely and totally opposed to the control suggested. So far as Otago is concerned, there is a clear-cut issue as between the proprietary interests and the co-operative dairying interests of the province in question.

6. *Mr. Masters.*] Are you speaking as the representative of Southland?—Yes, for the butter interests of Southland. Mr. Dunlop, who was present at this Committee the other day, was speaking as the representative for the Southland district, but, unfortunately, he had to go away. I am speaking for both the butter and cheese interests of Otago. Now, looking at the cheese position we find that Mr. Dickson in speaking in the House of Representatives said that certain factories in Otago had protested against the introduction of the Bill. We find that to-day the Momona Cheese factory, which is the second-largest cheese-factory in Otago, is absolutely in favour of the Bill, and they have changed their minds since last year. I desire to say also that the Waikouaiti Company, which was against the Bill last year, is now in favour of it; and then the Sterling Cheese-factory, which opposed the Bill last year, is now absolutely in favour of it. There has been a decided swing-over in the South in connection with the Dairy Control Bill. I may say that we have gone to a great deal of trouble in connection with the matter, but in order to have the matter properly understood and have the opinions of the various factories concerned we sent telegrams to all those concerned, and in consequence we have a pretty close record now of what the people in the South do think. The whole

of that has been collated, and Mr. Grounds will bring the matter up and show the position from a Dominion point of view. I do say that the co-operative interests of Otago are overwhelmingly in favour of the Bill. I would like to say that our butter company is really a Farmers' Union butter company—that is to say, the Farmers' Union and our company are practically one. Every branch meeting of the Farmers' Union has discussed this matter, and there has not been one discordant note. At a dairy conference that was held recently in Otago this Bill was carried unanimously. There is only one other question that has been raised here a good deal, and that is the question of these pay-outs. I heard a lot of evidence, and it made me feel, so to speak, very ill afterwards, and it seemed to me that there were a lot of points stressed that do not count at all. Now, gentlemen, the whole point at issue is the question of the overrun between the co-operative companies and the proprietary companies in the past, and because that overrun is a thing that the average dairyman could not get that is one reason why we in the South had to form our own co-operative dairy company. The point of view is this: If you have your butterfat or cream and send it in and they give you a test on it, it does not matter what they decide to pay you at per pound if they do not give you the full number of pounds of butterfat. The pay-out is a gag in many cases, and you can make the pay-out as high as you like. You can give a man more per pound if you credit him with less pounds of butterfat, and it is through that method that the proprietary companies have built up their strength, and the proprietary companies to-day are going into the cheese-factory districts. I submit that a cheese-factory is the best asset that any country can have. The position to-day is that the proprietary companies are running their lorries into those cheese-factory districts and weaning away the supporters of the co-operative companies, and in consequence strengthening their own big factories in the towns at the expense of the co-operative factories in the country. There is no getting away from this, gentlemen: that the opposition against this Bill is coming directly from the proprietary interests, and they are shrewd enough at times to push forward a certain number of co-operative companies, but in the opinion of many of us they are standing in their own light, which they have a perfect right to do.

7. *Mr. Forbes.*] You said that the opposition to the Bill comes almost entirely from the proprietary interests, and that the Bill is supported by the co-operative interests—that is practically the way it is divided?—To my mind it is a clear-cut distinction.

8. You have informed us that there is a certain amount of opposition with respect to the supply of milk as between the proprietary interests and the dairy interests?—They always compete.

9. If they got this Bill into law and they all enjoyed the same price, would it be objectionable so far as the whole of the produce is concerned—do you think there would be any difficulty with respect to one company as against another?—I do not think there is a great deal in that. The only thing I can see is that we have been fighting the proprietary interests down our way for the last two years, and we now find that they are against this Bill. Exactly why they are against it we do not know. The only conclusion is that they must be making a lot of money, and they are frightened that if this Bill comes into law they will not be able to do what they formerly did.

10. The proprietary interests may, owing to their better organization and the better disposal of the product, be able to give better prices than the co-operative concerns?—But we know that that is not so.

11. Why should they be opposing it in that case?—Sir, I do not know why they are opposing it.

12. You do not think that the proprietary interests are getting more out of the milk than the co-operative concerns?—They could not honestly.

13. Are they more successful in their operations?—No, sir, I do not think so.

14. You think, then, that the co-operative factories are as equally successful as the proprietary concerns?—I am sure of it.

15. You do not see any reason why the proprietary interests should feel alarmed at the passing of this Bill?—If they are working squarely all along the line there is nothing to fear.

16. Yet you say they are strongly opposed to it?—They are spending a good deal of money for the purpose of blocking it.

17. *Mr. Field.*] You say that the suppliers to the proprietary factories do not get a fair deal, and that the proprietary concerns make undue profits?—There is plenty of evidence to that effect in the South Island, and, moreover, that was one of the reasons why we formed our own co-operative companies.

18. I understood you to say that that was due mainly to the overrun question?—Yes, I think so, sir.

19. Is dairy-farming increasing in Otago and Southland?—Undoubtedly it is, sir.

20. More people are going in for dairy-farming every year?—It will never get to the stage that it is in the North. It is purely dairying in the South. Everybody now keeps cows. Even sheep-farmers, who formerly thought it was *infra dig* to keep cows, now keep half a dozen.

21. Are you in a position to tell the Committee how many factories—that is, co-operative factories and proprietary factories—in Southland are for and against the Bill?—Those in favour of the Bill are: Waikouaiti, Henley, Momona, Stirling, Mosgiel, Maungatua, Kelso, and Wairuna, and those against the Bill are: Patetai, Kaitangata, Milton, Goodwood, and Merton. It will be seen, therefore, that there are eight cheese-factories for the Bill and five against it. I have put down Goodwood and Merton as against the Bill because I know the directors of those concerns, and they have not even reconsidered the matter since last year—in fact, they are what may be termed “sitting on it,” and in consequence the people interested have not had the slightest chance of saying whether or not they are in favour of the Bill. There are half a dozen directors in those factories who have signed a “joint-and-several,” and whatever they say goes.

22. I understood you to say that there were eight factories in favour of the Bill and four against ?
—That is so. Southland makes a tremendous amount of cheese.
23. What is the feeling down there ?—They are overwhelmingly in favour of the Bill, and this can be borne out by the evidence that was given by Mr. Dunlop the other day.
24. Can you tell me how many proprietary companies there are down there ?—Butter companies, do you mean ?
25. Yes, mostly butter ?—There are no proprietary cheese companies.
26. *Mr. Masters.*] You say there are no proprietary cheese companies down there ?—At any rate they are a negligible quantity, and they are up against the pool. That is in Otago and Southland.
27. *Mr. Forbes.*] Does that apply to Canterbury ?—No.
28. *Mr. Field.*] I understand that the suppliers to the proprietary companies complain as to their test—are they satisfied with the test with the co-operative factories ?—I would like to say that I represent a company that has taken eight hundred of their suppliers away from them in twelve months, and they provided us with £13,000 to commence operations on our own behalf.
29. Are you in a position to say whether or not their tests have improved since you took them over ?—We have not yet actually commenced operations. We have started now, but there is no cream to test much.
30. Can you tell us about their system of marketing down there—that is, the co-operative factories that have been in existence for many years ?—Some consign and others sell.
31. How do you feel about Tooley Street—do you think that they give you a fair deal ?—At the present time there is no other avenue open to us.
32. *Mr. Langstone.*] When do you think you will be in a position to alter existing arrangements ?—When the scheme has been going for a year we will be able to answer the majority of the questions that we would like to answer to-day. Until the information is obtained it is impossible for any one to get up here and say this is going to happen and that is going to happen. Until the evidence is collected we are not in a position to say very much about the scheme, and the only thing that we can do is to wait until such time as we are in possession of the information.
33. *Mr. Field.*] Are you in a position to say as to whether or not those who have consigned their produce are satisfied with the charges they have had to pay in the Old Country ?—One is never satisfied with commissions and that sort of thing, but one has to deal with the world as it exists.
34. It has been shown that the producers were charged from 2½ per cent. to 4 per cent. commission, and they were paying other charges as well—that is, necessary out-of-pocket charges : if they have been satisfied with that commission is that regarded a reasonable commission ?—I think 2½ per cent. is reasonable. If we could cut it down at all we would be glad to do it.
35. *Mr. Masters.*] You stated that the co-operative factories who were opposing this pool were mainly decoys of the proprietary concerns ?—I am sorry to think it.
36. You still maintain that ?—I do.
37. Take the position in Taranaki, for instance : do you think the factories in Taranaki who are opposed to the pool are being used by the proprietary concerns ?—I am not prepared to say whether they are or not.
38. In what part of New Zealand do you say the decoys are situated ?—I mentioned that I came here to speak on behalf of the dairy-farmers of Otago, and I do not know what the people in Taranaki think.
39. So far as Taranaki is concerned you are quite prepared to leave that district out of your statement ?—I can bring no evidence to show that they are the decoys as you suggest.
40. You said it.—(No answer.)
- The Chairman :* He said “ Not so far as Taranaki is concerned.”
41. *Mr. Masters.*] I suppose you will admit that the Taranaki dairy-farmer is just as intelligent as the ordinary farmer of New Zealand ?—I have not met him, but I understand that he is an intelligent individual.
42. Would you be surprised to know that there are only two proprietary concerns in Taranaki—that is, actual proprietary concerns ?—I am not surprised at anything.
43. And opposition has increased against the pool by the co-operative factories ?—Are they truly co-operative factories ?
44. They are more co-operative than in any other part of New Zealand—I have a statement from the Agricultural Department, and it says they are more advanced there than in any other part of New Zealand. You stated in a resolution that you entered an emphatic protest with respect to the produce being dealt with without your consent ?—Yes.
45. You lay that down as a general principle ?—Last year a resolution was passed—
46. I am speaking of the resolution that was passed—I will take the resolution that was passed last year—was not that resolution rescinded ?—No.
47. You approve of the principle that your produce should not be dealt with without your consent ?—I think if it can be shown that the great majority of our produce should be dealt with in a certain way, then I say we must abide by the wishes of the majority.
48. But you passed a resolution last year protesting against your produce being dealt with without your consent ?—That was without representation.
49. The resolution says, “ without consent ” ?—I do not think the resolution was passed.
50. You voted for it ?—I did not.
51. It was passed at a meeting of suppliers in Otago ?—I could explain that position to you.
52. At any rate, the resolution was passed at a meeting of farmers ?—Yes.
53. And they protested against their produce being dealt with without their consent ?—What they mean was without representation in Wellington.

54. In the matter of dealing with their produce?—Yes, that is so.
55. To deal with their produce without their consent?—Without their having representation at all.
56. In reference to the question of the pay-out, the evidence that was given was not a question between the proprietary concerns and the co-operative concerns paying out, but as to whether there would be as good a pay-out under the control system as under the present system. Do you think that you would get as good a pay-out under the control system as you do now by dealing with Tooley Street?—Yes, I think so.
57. Were you present when Mr. H.— was giving his evidence?—I do not think so.
58. He gave evidence to the effect that they were receiving 100-per-cent. advance?—You can do that if you are fool enough to do so.
59. Do you think you could give that pay-out under control?—Yes, if you wanted to.
60. Seeing that the proprietary concerns are going to get the same price for their produce as the co-operative concerns will under the control system, what advantage will the co-operative concerns obtain?—I do not know that it is going to give the co-operative concerns any advantage over the proprietary concerns.
61. It will not be a disadvantage to the proprietary concerns to work under the control system?—No.
62. They are making a good deal of progress under the present system, are they not?—To whom do you refer?
63. To the proprietary concerns?—I do not think they are making any headway down South. As a matter of fact I think we are giving them the death-knock down where I live.
64. In the Taranaki District they are making huge progress: do you think they will make that progress under control?—I cannot speak as to the views of Taranaki at all.
65. What is the chief matter in connection with the marketing of our produce?—The marketing itself.
66. You do not look upon the shipping as the chief matter in connection with the marketing?—If we can get control of the market we can soon solve the shipping problem.
67. Did you hear what Mr. Forsyth had to say?—Yes, partly.
68. Did you not hear him say that if there was a satisfactory shipping arrangement there would be no need to trouble about the marketing?—I do not think he said that. I am sure he did not mean to say that.
69. I repeated the question on two or three occasions. He stated that very definitely?—In the South we consider the compulsory clauses as a lever to get control of the marketing, and that all other matters are subsidiary. We consider that shipping is one of the subsidiary matters.
70. And did not you hear what Mr. Dunlop said, that the voting taken at Dunedin could not be taken as an indication of the feeling of the dairy-farmers in the South Island?—Mr. Dunlop never said that, surely.
71. Well, I put the question to Mr. Dunlop that, in view of the fact that in many cases there were two votes to a factory, could the votes in Dunedin and Southland be taken as a clear indication of the voting of the dairy-farmers in the South Island for or against the Bill; and did you not hear Mr. Dunlop say that they could not be so taken?—It all depends on the definition of a "clear indication."
72. A clear indication is the vote that is given?—Clause 34 of our regulations states that "Every member paying an annual subscription of £10 or over shall have two votes, and every other member one vote, and no more." Well, that voting does not give you the number of factories exactly, but it does give you on a tonnage basis an indication of the overwhelming number of factories in the South that are in favour of the Bill.
73. But it does not give the actual position?—It does not give it by factories, but it gives it by tonnage, because the big factory has two votes and the smaller one only one.
74. Only by tonnage?—(No answer.)
75. *Mr. Hawken.*] I think your opinion is, Mr. Waite, that if it were not for the proprietary interests there would be practically no opposition to the Bill?—That is so. There would be merely a negligible opposition. Of course, when you come to look at the proprietary interests that does not merely mean the proprietary factories. There are also the exporting interests, and all the other allied interests.
76. Do you find that the agents employed by the Tooley Street merchants are against the Bill?—Certainly, every one of them.
77. Do you think that the Tooley Street merchant is against the Bill, or is it his agent here?—Well, sir, I really have not any definite knowledge on that point, but I do not think that the Tooley Street merchant wants to antagonize the New Zealand dairy-farmer in any way. We send him more cheese than any other country in the world, and we are also very nearly the biggest exporters of butter to Tooley Street. Taking it in pounds of butterfat, we send more butter and cheese home to the Old Country than any other country in the world. Our butter and cheese is absolutely essential to their business, and they do not want to antagonize us. They make most of their money out of the New Zealand dairy-farmer. I do not think that the Tooley Street house wants to have a row at all.
78. There is no active opposition from Tooley Street so far as you know?—Of course I am not a member of the Dairy Council. I am just an ordinary farmer, and I do not come into the big finance part of the business. But I have had a few people chasing me for the output of our factory, and I do not think that they are all against control.
79. *Mr. Burnett.*] How many factories do you represent?—Personally?
80. Are there not a number of federated factories you are representing here to-day?—I may say that I represent the Waimate, Owaka—

81. The Waimate?—Yes. That factory deals with the dairy-produce round about Waitaki and Oamaru. I say that all the co-operative butter-factories from Waimate to the south are all in favour of the Bill. I am here to-day to say that they are all in favour of the Bill.

82. Those co-operative butter-factories are all in favour of this Bill?—Yes. There are none against it. There is not a co-operative factory against it.

83. Would you read that last year's resolution again: the position seems to be a bit confused?—These people who put up this resolution are still against any sort of control. I may say they are "old men of the wood." Messrs. Lee, Mason, and Birtles spoke against dairy control, and Mr. Mason then rose and moved, "That, seeing that the whole of the cream-suppliers of Otago and Southland will be absolutely unrepresented at the conference in Wellington, this representative meeting of the dairy-farmers of Otago enters an emphatic protest against any dealing with our produce without our consent." That was the resolution passed at the meeting last year.

84. That is dealing purely with the representation at the Conference in Wellington?—That is so. That is dealing with the representation at that Conference, and not with the principles of the Dairy Control Bill at all. It is an old story. There was a lot of delegates at a big meeting held in Dunedin. I convened that meeting. And these people hopped in, and had a sort of side issue. There is a set of "Bolsheviks" down there who seem to be almost against everything. When you try and organize anything of the sort, these people will hop in and say they are against it.

85. Have you found, when travelling up and down the country, that the proprietary interests are opposed to the principle of this Bill?—I am quite satisfied about that. I am a member of the executive of the Otago Farmers' Union, and I have had to go about the country a good deal; and I am quite satisfied that is the fact.

86. Would you be surprised to learn that we had the same experience in connection with the Meat Control Bill—that the chief opposition came from the proprietary interests?—I would not be surprised, because obviously the people who are getting the "rake-off" are the people who object to any sort of disturbance.

87. You move up and down the country a good deal. You go through a good deal of the lamb-fattening country, and also the outlying districts. Do you not find that the meat producers are practically unanimous that the Meat Control Board has done good work?—I am quite satisfied that the people who own sheep in Otago are absolutely satisfied with the work that the Meat Producers Board has already done.

88. And if that Board has done good work for the meat producers, you do not see anything against the idea of the principle of dairy control doing similar good work for the dairy producers?—That is so. We feel this, sir, to put the thing in a nutshell: that if the meat people can command a freight which is of benefit to the meat trade, and that freight can be combined with the dairy-produce freight—if the meat producers and the dairy producers combine—then we would be in a good position to offer our own terms to some of the finest shipping lines there are in the world. We cannot do that to-day.

89. But you do not think that a shipping-control Board could do all that the industry requires?—We only ask for some sort of a Board that will do real work.

90. *Mr. Langstone.*] It has been stated that the proprietary concerns can give better service, better returns, than the co-operative concerns?—Not that I know of, sir. They may be linked up with people at Home that we are not linked up with. They may have some advantage that way. If we had the powers that this Bill will give us we could very soon find out what the position is.

91. Do you think the proprietary people are frightened that if control comes about it possibly means eliminating them out of the business altogether? Is that the reason why they are opposing the Bill?—I have previously stated that I do not know why they are opposing the Bill. They have told us that we, as dairy-farmers, have not the brains to run our own business—that they have a monopoly of the best brains, and can run our business for us. We are just making an effort to show them that we can run our own business. I do not think that the proprietary people will go out of business altogether, but they evidently anticipate some diminution in their profits. They must be anticipating some loss or they would not be fighting like they are.

92. I believe it has been stated that there has been an amount of £2,000,000 paid away in commission and insurance and other charges out of an amount of £16,000,000 received for dairy-produce. Is it not reasonable to expect that a large portion of this money could be saved by proper organization? Could not a lot of those charges be cut out altogether, or reduced considerably?—I think it is quite obvious that if an organization can speak for a united people—and such an organization can get alongside the other people—you can get down to bedrock. By piecemeal methods you can only get what they like to hand you. We can only get to real business when we have a real organization, with real powers, such as are laid down in this Bill.

93. The overrun has apparently been a bone of contention among dairy-farmers for many years, so far as the proprietary concerns are concerned?—There is no question about that.

94. Do you think there is any overrun in the form of manipulating prices in the marketing of butter?—I do not know, sir.

95. The 2½ per cent., you say, is a fair commission?—It is recognized to-day as a fair commercial commission.

96. That will be on the turnover?—Certainly.

97. Five per cent. may be a small commission on a small turnover, whereas 2½ per cent. may be a large commission on a large turnover?—That is so.

98. It is a question of turnover?—That is so.

Mr. A. GUILD examined. (No. 22.)

1. *The Chairman.*] Your full name, Mr. Guild?—Andrew Guild.
2. And you are representing?—The Milford Dairy Company, Temuka.
3. Will you make a statement?—Yes, sir. I am a dairy-farmer myself, and I am chairman of directors of the company I represent; and I hold here a number of telegrams and letters from various co-operative companies in Canterbury, mainly south Canterbury and mid Canterbury [documents handed in]. One of those companies has already been mentioned to you by Mr. Waite. That is the Waimate Company, in the district I represent. The companies are all co-operative dairy companies—Temuka, Waimate, Clandeboye, Mount Hutt, Staveley, Milford, Orari, Geraldine; and two north Canterbury Companies—Cam and Sefton.
4. *Mr. Field.*] How many in all?—Ten.
5. *Mr. Forbes.*] Have you a telegram from Sefton?—Yes.
6. *Mr. Field.*] How many of the Canterbury companies are you not representing?—I do not know. The total number of suppliers I represent, exclusive of Sefton, is 2,900—2,000 tons of butter and 1,130 tons of cheese.
7. How many factories?—Ten. Now, I may say that all these companies, with the possible exception of Sefton—I cannot vouch for that factory—have discussed and considered this question. Not only have their directorates done so, but the whole of their suppliers have done so—
8. *Mr. Forbes.*] Is not the Sefton Factory closed?—It is not closed yet, sir.
9. I believe it is?—Well, it may be, but I have not heard that it is. Well, the whole of these companies, their directorates and their suppliers, are all overwhelmingly in favour of control. As regards the control clauses of this Bill, it seems to me that the opponents of the Bill are rather making a hobby-horse of the control question, and they are apparently crediting themselves with powers of observation, and with powers of perception, that we are not apparently allowed to possess—that is, as regards pitfalls and traps, &c. Of course the Board might make mistakes, but I do not think that any body of sane men, picked by their fellow-men, are going to fall into any traps or pitfalls that apparently are so clearly seen by the opponents of the Bill. And also, as regards control, I think you have already heard that we had out here in April Sir Thomas Clements, representing Andrew Clements and Son, and he came before the Dairy Council and stated, amongst other things, that he clearly thought, after his visit to New Zealand, and going into the whole question—he clearly thought that we needed control. That statement comes from a representative of a well-known Tooley Street firm, and he made the statement, of course, quite clearly, and after understanding the idea we were working on, that he thought he could go Home and get a number of Tooley Street firms to join with him, and he stated quite clearly that they would be quite willing to work with the New Zealand producers under some form of control. I think you know what has happened. The statement has come out from Home showing the number of firms who have already made the statement that they are willing to meet the New Zealand representative at once. Now, at different times the question has arisen as to whether any of the consignment houses at Home hold up the supplies of dairy-produce—hold up the supplies for a higher price. Well, I had a good long conversation not very long ago with the representative of a pretty big company operating in New Zealand—that is Messrs. Dalgety and Co. They had one of their very highly paid men in London out here, and I asked him that question, and he merely corroborated the statement which has been given to me time and again, that none of those firms, except in very extreme cases, ever hold up supplies. The old-established custom amongst them is to dispose of each shipment week by week, and not to hold it up. And I think you have had the view put before you time and again that those firms are very conservative. They are very hard to shift. They do not depart from their customary practices very much at all—and the statement has been made that none of them ever hold up supplies for higher prices. Now, as regards our dairy-produce being under our control, it is not under our control, to all intents and purposes, after it has been consigned Home. It is not to be expected that we, as dairy-farmers, are going to give instructions to those firms that we consign to at Home. We have to get on with our work; and if they are not taking the risk, or will not take the risk, of holding up supplies, it is not to be expected that we can keep on with our work here and also attend to matters of that sort. They have a knowledge of the trade, and a knowledge of the country. How on earth can we tell them what to do? To all intents and purposes our control has ceased the moment we consign our produce Home. The shipping question has been dealt with time and again by other witnesses, and I do not think I need deal very much with that question now. But there is just one little incident I would like to mention in connection with the shipping of our produce. I am sorry I have lost the newspaper cutting which I would have liked to have read out to you, but it was with respect to the White Star Line of steamers, and it stated that the White Star dividends had gone up from 10 per cent. to 60 per cent. within the last few years—
10. *Mr. Masters.*] On their original capital?—I could not tell you that. I have lost the cutting, as a matter of fact. There is no doubt that their profits have been very huge. Then again, in regard to the question of control: There was a statement made here the other day by, I think, Mr. (Bond?). He made a quotation from the *New Zealand Dairyman* to the effect that we did not need control, that we already had sufficient control, and that we could fix the price of our butter at 9d. and cheese at 3s. wholesale. Well, possibly the butter could be sold at 9d. and the cheese at 3s., but it would not be our butter and it would not be our cheese: it would be some other country's butter or some other country's cheese. There would be no control there at all. That is the kind of statement that has been got up and spread throughout the country. It is absolutely absurd. There is only one other matter I would like to refer to, and that is the question of the voting at the general meeting of the South Island Dairy Association. I know that at least one company which I am

representing here—the Geraldine Company—was not represented there; and I think that the vote taken at that time for or against the Bill is very clear evidence of whether these companies wanted it or not. It does not give us the exact number of factories. We do not know the exact number of factories actually, but the great bulk of them had two votes. Very few had one vote. The great bulk of them—probably more than 90 per cent.—had two votes, and none more than two. So that I too maintain that the voting which was given there is very good evidence that the general suppliers of those factories are in favour of the Bill.

11. No factory had more than two votes?—No, none.

12. *Mr. Field.*] You say that the factories you represent overwhelmingly support the Bill?—Decidedly so. I could not have stated that in October last.

13. There has been a change?—A decided change.

14. Do you think that it would be sufficient to have a board for shipping purposes only?—I think we badly need control. We badly need a powerful organization. I think we need to be a powerful body ourselves.

15. Have you any proprietary factories in your district?—There are proprietary factories in Canterbury. As far as I know I think there are four.

16. And they are one and all opposed to the Bill?—As far as I know. I think they are opposed to the Bill.

17. You say that the Tooley Street merchants, as far as you know, do not hold up supplies?—No, they do not. They have made their advances, and as a rule they are going to get their advances back as soon as possible. If the advances have been greater than the amount realized for the produce clear of expenses, then they write and ask for a refund at once.

18. You believe that regularity of shipping is required?—Most decidedly. In April last 18,000 tons, more than one-quarter of New Zealand's annual output, was landed in the one month.

19. And that resulted in a glut?—Yes. It depressed the market at once.

20. Do you think anybody engineered that glutting of the market?—I cannot say that they did. But certainly there is a want of supervision in regard to the methods of shipping.

21. There has been no attempt to regulate the market up to the present time?—Consistently, no.

22. There are men at Home who operate on a glutted market, and who buy and sell our butter and cheese to their own advantage?—I think they do.

23. Do you know anything of that kind generally?—Well, the statement has been made, and it has always been acknowledged to be the case by the representatives of the Home firms, that there are buyers who do that sort of thing. Buyers from Tooley Street, they call them.

24. But they are not really Tooley Street merchants?—That we do not know.

25. *Mr. Masters.*] You say there has been a want of supervision in regard to the method of shipping?—Yes, I believe so. We are not powerful enough to deal with the shipping question. I would like to say that there are very few big organizations in existence now that actually stand alone. For instance, we have got a federation of shipping companies and there is the banks' federation. We have not got an organization that is strong enough to deal with the shipping question in a proper manner.

26. Did not the National Dairy Association have a contract in connection with the shipping of the produce? You have an association in the South Island, have you not?—There is an organization in the South known as the South Island Dairy Association, and it works in conjunction with the National Dairy Association, but there is no bond between them except that of sympathy.

27. There has been a shortage of shipping this last year, has there not?—I do not think so.

28. Seeing that there has been no shortage the National Dairy Association has its remedy?—I may say that there was one part of the time when the produce did not get away when it should have done.

29. And whose fault was that?—I do not know, except that it appears to me that the shipping companies are not attempting to give us a regular service. I submit that if we had an organization—that is, a powerful organization which could dictate to the shipping companies and insist on boats being available at certain times and under certain conditions—we would get along much better than we are doing at the present time.

30. You have admitted that there has been plenty of shipping available during last season?—Yes.

31. You cannot understand the shipping companies letting their boats go away without taking the produce?—I cannot understand them doing that.

32. The supervision is not the shipping companies' business?—No, sir, I do not think so.

33. Whose business do you think it is?—I presume it would be the duty of some organization which we do not possess at the present time.

34. I am dealing with the present position—whose duty last season was it?—The National Dairy Association and the South Island Dairy Association, as far as the powers allowed them.

35. *Mr. Hawken.*] I take it that the National Dairy Association has no power to regulate the supply on to the ships?—I cannot tell you that, sir. I do not think they have power to stop us. They might have power to refuse to allocate your space, but I cannot tell you that definitely because I am not conversant with that position.

36. Do you know of any companies in the South Island that have refused to abide by the decision of the Dairy Association?—Not that I know of.

37. I take it that you are a member of the association?—Yes. It is an association of companies.

38. There is nothing in the powers given to that association that would enable it to hold back supplies?—Nothing whatever, sir.

39. So, therefore, the association cannot regulate the supplies if the dairy factories do not stick to it?—No, it cannot do anything—it is absolutely powerless.

40. If that association had that power or a similar body had such powers they would then be able to take this matter in hand, and they would be able to supervise?—Do you mean supervise the shipping?

41. Yes?—But that is not sufficient, sir. They require more power than that, and I submit they must have legislation behind them in order to satisfactorily tackle with the whole question of shipping.

42. The regulation of the shipping as well as the regulating of shipping-space comes into the question of control—two parts of the Bill?—Quite so.

43. So if you want to supervise or arrange for regular shipments you must have the control part of the Bill in operation?—Yes.

44. *Mr. Burnett.*] The district you represent is mostly a dairying district?—Mainly.

45. You are of opinion that the industry is capable of a big development?—It is developing every day. As a matter of fact it has made considerable strides during last year, so much so that each individual company has had a greater output.

46. In other words the dairying industry is creeping out to country where formerly we did not think it could possibly be carried on?—That is so.

47. There is every prospect of the output increasing two- or three-fold?—Yes.

48. I take it that you have found, in moving about the various districts as you have done, that the settlers are practically unanimous in the desire for this Bill?—In my own particular district I have not heard a settler who has spoken against it either in the course of conversation or at a meeting.

49. You have heard of the idea of taking a plebiscite amongst all those in the industry: are you prepared to take a vote for the purpose of deciding this question?—That reverts to the question of a referendum.

50. Yes?—Well, I can answer that question two ways, Yes and No, because I do not think the average elector in New Zealand is competent to deal with big questions other than the electing of their representatives for Parliament. I am not in favour of a referendum, because it is not the customary method of passing legislation.

51. You think, then, that it comes within the province of Parliament to decide the question as to the wisdom or otherwise of this Bill?—That, sir, is what you are here for and what you are paid your salaries to do.

52. Do you think that the Meat Control Board is received with disfavour in a mixed district like yours?—I think the Board as a whole has been received with favour. I submit that a portion of the district which I represent—namely, Timaru—formed the hottest opposition throughout New Zealand to the Meat Control Board, but the reason for the opposition to the Meat Control Bill was not very hard to find, because it has been stated that the proprietary interests were at stake.

53. Do you find that the fiercest opposition comes from the proprietary concerns and those persons who hold big wads of shares in those concerns?—Yes, in my own particular district I find that that is so.

54. You see no reason why this dairy control should not be a success?—I think, sir, it should be a huge success.

55. *Mr. Langstone.*] I suppose without statutory powers to levy taxation it would not be much availed of?—No, it would not be. As a matter of fact we pay land-tax, income-tax, and various other forms of taxes which we are forced to pay. We simply pay because we are forced to pay. I think these taxes are in the interests of the country.

56. Therefore, if you have statutory power to levy, a rate on butter and cheese will be for the ultimate good of the industry as a whole?—Yes.

57. The proprietary concerns are always telling us of the mistakes and the incompetency of the various co-operative undertakings: I suppose they never fall into any pitfalls and make mistakes themselves?—Even if they did there is no one to tell them about it. They do not need to have a balance-sheet, and they have not a group of suppliers to tell them about anything that goes wrong, and consequently you do not hear of the mistakes they make.

THOMAS CUDDIE BRASH examined. (No. 23.)

1. *The Chairman.*] What are you, Mr. Brash?—I am secretary of the National Dairy Association.

2. You wish to make a statement to this Committee, do you not?—Yes. I wish, first of all, to confine my few remarks to the disabilities of the present position with regard to shipping, and shortly to the impossibility of dealing with the shipping without having the control of the produce. In doing so I must of necessity refer to the two Dairy Associations, and I regret having to do so because they have been before you a good deal already mostly by way of criticism, and no doubt you are somewhat weary of hearing about the matter. My remarks with respect to the National Dairy Association apply to the South Island Association because it is a kindred association. The National Dairy Association is composed of dairy companies in the North Island, also Nelson, Marlborough, and Westland. Westland will now merge into the South Island Dairy Association because of the tunnel connection with Lyttelton, and due to the fact that the produce will be going in that direction. I think, in the South Island every dairy company is a member of the Dairy Association there. In the North Island, I think there are two factories which are not members of the National Dairy Association. The business of the association is managed by ten directors, and they are appointed directly by the dairy companies who are members of the association. I would like to take this opportunity of mentioning how the voting is carried out in connection with the association in question as it has been referred to, and wish to point out that the interests of the smaller factories are safeguarded as against

those of the larger factories—that is to say, an attempt has been made to conserve the interests of the smaller factories as against those of the larger ones. That, sir, has been one of the bones of contention. Take, for instance, the Kahui Company, of which Mr. Maxwell is secretary. They exported 130 tons of cheese, and they have two votes. In the case of Joll Dairy Company they exported 3,000 tons of cheese and they have only five votes. On the same basis as Kahui they would have twenty votes. Speaking generally, most of the opposition against the Control Bill comes from the Taranaki District. In the case of Tikorangi they export 200 tons of butter, and they have three votes. In the case of the New Zealand Dairy Company they export 20,000 tons of butter, and they have five votes, and this shows that in the election of directors to the National Dairy Association the small companies are amply protected. In the election of directors one retires each year from the Taranaki District, one from Auckland and one from Wellington, and every three years one from Hawke's Bay, where there is only one member. The practice followed in connection with the filling of the vacancy is that in May a list is sent to every member showing the name of the retiring directors in each district and asking for nominations to fill the vacancies. They are given three weeks in which to submit nominations, and when the nominations are received ballot-papers are prepared and sent round to the various factories interested, so that they may discuss the matter fully and record their votes relating to their own director. Mr. Maxwell has said that this is a vicious system, and also intimated that the fact of not being able to get all the directors out in one year was detrimental to the work of the National Dairy Association. I submit, sir, that this is the most reasonable system possible, and this is proved by the fact that our individual dairy companies are working on the same system—that is, they do not put their directors out in one year, realizing that no continuity can be carried on if you turn them out neck and crop every year. He also said that the factories did not bother to vote because they were not sufficiently interested. As a matter of fact, at the last election over 95 per cent. of the available votes were cast in connection with the election of the executive. Take the position of Taranaki. Mr. Murdoch, chairman of the Joll Dairy Company, was the retiring member for that district, and there was also nominated Mr. Ranford, of Stratford. The election was fought out on the question of the Dairy Control Bill. Mr. Murdoch and his company up to that stage had voted for the Bill, although, I believe, Mr. Murdoch, while personally still in favour of the Bill, his company is amongst those who now voted against it. He voted at the meeting of the National Dairy Association Executive entirely in favour of the Bill. Mr. Ranford has been against it, but in fairness to him I should say that he is not opposed to compulsion or control in some form or other. He has conscientiously maintained his position that he is desirous of obtaining more details, and those are the two men who stood for election. Mr. Murdoch was elected by a two-to-one majority. In the Wellington District there were five members nominated. Mr. Pacey was one of them, and he was against the Bill. Mr. Brown, the retiring director, was entirely in favour of control, and his company voted for the Bill. Mr. Brown was the successful candidate, and Mr. Pacey did not receive one-third of the votes cast. In the Auckland District the Hon. Mr. Gow was the retiring member, and he is in favour of the Bill, and was again nominated without any opposition whatever. Well, sir, these two associations, as Mr. Morton pointed out, have been attending to shipping contracts, and it has been stated that they were formed for that purpose. That is incorrect, because the two associations were in existence for many many years before the question of hauling the produce for shipment was discussed. If you were to refer to the articles of association you will find that the question of shipping comes in under a general clause which gives them the right to do something in connection with shipping, but they were formed in the first place to carry out work which is largely done now by the Dairy Division. I may say that we had not then such a very healthy, strong, and verile Dairy Division as we have to-day. The Dairy Association took up the question of providing plans and information in connection with the working of factories and work of that kind. From the first it took up the question of trading in the interests of the dairy factories, although it has been stated here again and again that the trading was taken up later and has spoilt their work in connection with shipping. I submit that the Dairy Association has always done its best in the interests of the industry. Mr. Morton pointed out the difficulties and weaknesses of the situation—that is, so far as being able to go outside the present shipping companies. That is quite impossible. Take the position which might arise if the Dairy Association were to offer contracts to a company which was not trading with New Zealand. Let us suppose they accepted the terms offered and they closed the contract. One would naturally assume that the shipping companies trading with New Zealand would not sit idly by and let the matter go by default, and they would endeavour to get the business. We know from experience that a great number of factories would take the lower rate of freight if offered by the present companies, and under those circumstances you can realize that no shipping company would make a binding contract of that kind with the associations realizing the position. There has been some reference made to the shipping position during last year. Mr. Maxwell specially referred to the fact that we had not been able to utilize all the space, and specially mentioned that demurrage had not been charged. He knows that is misrepresenting the position. The stores, so far as cheese is concerned, have not been clear in the North Island during the past season. We have had cheese up to six weeks old in the stores in the North Island, and I believe at the Bluff they had cheese up to three months old in the stores. Here in Wellington, which is a very busy port—not even second to New Plymouth—we had cheese in the stores that was six weeks old. So far as butter is concerned I may say that we were only short of space at one time of the year, and that was in the month of April. I will refer to that a little later on. Mr. Maxwell challenged any one to say that any factory had sought to repudiate the contract. Well, sir, I have here an extract from a circular, which I would like to place on record, issued by Mr. C. H. Andrews—who is at present sitting in the room—as secretary of the Proprietary Factories' Association. It reads: "There is no instance of any single dairy company making any attempt to limit the power of the National Dairy Association or objecting to sign

any shipping contract." Now, sir, Mr. Maxwell, I have no doubt, has forgotten as to what did happen. Mr. Andrews should know better because he had been closely associated with the position when the National Dairy Association had control of the shipping. In the year 1905 Mr. Wesley Spragg had another contract signed, and some of the factories attached their signatures to it. By the way, Mr. Spragg was the man who trained Mr. Pacey and naturally we find that gentleman carrying on the good work. In the year 1913, which was the last contract made before the war, there was strong opposition to the association's contract. The National Dairy Association made a contract in March for five years, and it turned out to be the best contract they ever had. Immediately that contract was made the exporters sought to get a similar contract—that is, sought to get a similar shipping contract as the one made with the Dairy Association. The shipping companies refused to do that, and a circular was then sent round by several exporters with a view to getting the dairy factories to repudiate the contract. At a conference that was held in June of that year the greater part of the day was spent in discussing the matter, and an endeavour was made to persuade the companies that it was a good contract, and, as Mr. Morton pointed out, we were successful. The only reason that we have had loyalty to the contract, as Mr. Morton has said, is the fact that we have been short of space—that is, there has not been sufficient space to take the produce away quickly; and as those concerned in the contract had to get first call on all the space available others naturally could not get any shipped outside. Mr. Cotter said that if the National Dairy Association had asked for legislation they would have got it. Well, sir, the National Dairy Association is now asking for legislation, and they passed a unanimous vote in that connection urging the passing of the Dairy Control Bill.

3. *Mr. Masters.*] It was referring to shipping?—The National Dairy Association ask that the Dairy Control Bill be passed as it now stands.†

4. Was not Mr. Cotter referring to shipping?—Certainly, sir. There has been reference made to the Producers Board in connection with shipping and shipping only, and Mr. Maxwell said it had been agreed to at large meetings, but we did not hear of a single meeting. Mr. Masters has consistently asked the witnesses if it would not be wise to start slowly and cautiously, and to have the powers for shipping only. He pointed out that we should act with caution. I submit that to act at all you must have some power over the produce. Without control of the produce control of the shipping is out of the question. At the present time the individual factories control the produce, and they will control the produce under that suggestion. Take the position here this last year. The National Dairy Association has to give eight weeks' notice to the shipping companies for the space required. Well, we gave notice for the space we required in April. We gave that notice in the usual way and at the end of April we were short of the quantity required by 30,000 boxes. Well, that space had to go away empty, or it was filled up with meat. Now, the reason for that was that individual factories held back their butter. Some of it went to Australia. There happened to be a good market in Australia at that time. That goes to show that the produce must be under the control of the Board. The National Dairy Association could not hold back any produce. As a matter of fact, the National Dairy Association has only one mandate from the dairy-farmers, and that is to ship the produce as quickly as it can, and every effort has been made to do that. No pains have been spared to secure as much space as possible to get the produce Home, and it is impossible to secure more under the present conditions. With control of the shipping, and no control of the dairy-produce, a position something like this might arise: Suppose on investigation—it has been submitted, I think that this Producers Board should set up an intelligence bureau—they found that there was a market for 500 tons of butter monthly in the East—and there is a growing market in the East—and the Shipping Board—supposing there was only a Shipping Board—entered into a contract to ship 500 tons of butter per month to the East; but the factories might say No, we will not ship any butter at all unless there is a shipment of 1,000 tons monthly. And that might absolutely ruin the market. The same thing might apply to the market in Australia, the market in the West of England, or America, or other countries. That is exactly the position. If you had only a Shipping Board you would be in an absolute state of chaos. At times there would be too much produce, and at times there would not be enough. There would be no one in control. It sometimes happens that the people in the West of England, or other parts of England, send out here a very able man to impress upon the farmers that they should also send their produce to a certain port other than London, and certain factories take a note of that, and sent their produce to that port, and the result is that too much produce goes to that port—to that market—and it has to be railed to London at additional expense. And at other times there may not be enough produce sent. Now, a great deal has been made of the compulsory clauses of the Bill—of the question of compulsion. Well, I think that is only human nature. I would not like being compelled to do a thing when I did not want to do it. Take the position at the Hamilton meeting. Seven factories voted against the Bill. Those seven factories gave an undertaking that they would do everything set out in the Bill if the compulsory clauses were deleted. Mr. Grounds immediately pointed out that it would be better to leave the compulsory clauses in, although it might not be necessary to use them. Many are opposing the Bill on points of that nature. Take Mr. Masters' own electorate. At the Stratford meeting Mr. Ranford was not opposed to compulsion or control, but he wishes more details. Then, take the two factories of Huairoa and Pembroke. I have had letters from those factories stating they will support the Bill if we leave out the clauses relating to reserves—

5. They have other objections?—They may have other objections, but their objections have not been stated to me. I have had a letter from Mr. Power stating that if we cut out the clauses relating to reserves they are prepared to support the Bill. Now, you must remember that it is on points of that nature that they are voting against the Bill, but in many cases they are in support of the movement. Then, take compulsion under our present Dairy Industry Act. Under that Act the Government has power to prohibit a dairy-farmer from supplying milk or cream to any factory unless he reduces it to

60° F. or lower. That is a very wide power, and that power has enabled the Government to bring about certain improvements in the supplying of the raw material to the dairy factories. The Government never actually enforces that Act to the extent of cooling to 60°. It is the administration of the Act that counts. The Dairy Industry Act has been administered, we believe, wisely and well, and we believe that the Board set up under the Bill will also act wisely and carefully, and always remembering this: that no action will be taken without the most full investigation and consideration of the position. We claim that unless the Board has full power to market our produce—that it has full control over the produce—that the shipping cannot be arranged satisfactorily.

6. *Mr. Hawken.*] Has there been any butter or cheese shipped outside of the National Dairy Association?—Not much since there has been a shortage of space; but there has been a certain amount shipped outside all the time, and considerably more prior to the war when space was available.

7. Who were the factories that shipped this butter?—Well, it was shipped by Messrs. J. B. McEwan and Co., who are opposing the National Dairy Association in the shipping. But during the last two years there has been a shortage of space, and most of the produce has had to go through the National Dairy Association, or else it did not get away at all.

8. How is the National Dairy Association supported?—The factories pay an annual subscription based on their tonnage. The small factories pay a small subscription and the larger factories a larger subscription—that is, so far as the shipping is concerned. The association has from time to time made profits in connection with its trading operations. It has a certain amount of capital made out of the trading business, and that capital helps to carry on the trading business. So far as the shipping is concerned, the annual subscriptions go towards paying for work done in that connection.

9. Have any of the factories refused to pay their subscriptions?—Yes. We have had a number of cases where factories have only agreed to pay their subscriptions when forced to do so more or less at the point of the pistol in connection with the shortage of space.

10. Do you find that the opposition to this Bill comes, as has been suggested by the South Island witnesses, from the proprietary factories mostly?—I would not like to say that with respect to certain other parts of the country. Take Taranaki, for instance. One could not say that the bulk of the opposition comes from the proprietary factories in Taranaki. In the South Island possibly that is the case. And in Canterbury also that may be the position. But in Taranaki I would not say that it was.

11. Is it the smaller factories that are opposed to the Bill, or the larger factories?—In Taranaki the greater number of the smaller factories are in opposition. In North Taranaki it is mostly the smaller factories that are opposed to the Bill. Of course, some of the larger factories are also in opposition.

12. Now, talking about control. A little point has occurred to me in connection with white and coloured cheese from the different factories. How do the factories arrange the proportions that they consign Home. Is there any general knowledge at all?—There is a general knowledge as to the requirements of the Old Land. A certain percentage of coloured cheese, and a certain percentage of white cheese, is required in different parts of the Old Land. But each factory here is kept advised on that matter by its own individual agents, and the result is that sometimes too much white cheese is sent to one part of the country or too much coloured cheese. If there was combined control that sort of thing would not happen to such an extent as it does at present.

13. That means a loss?—Yes, it certainly does.

14. Under the Bill that would be regulated?—Well, it certainly could be improved. It would be a difficult matter to regulate it altogether. Certain districts in the Old Country want coloured cheese, and certain districts prefer white cheese. But the Board would have an opportunity of doing something in that connection.

15. As far as you know, all the proprietary companies are against the Bill?—Absolutely.

16. That is in the North Island?—Yes, and in the South Island.

17. What about Tooley Street?—We do not anticipate much difficulty so far as Tooley Street is concerned. The evidence from that quarter is that they are prepared to work in with any organization set up on behalf of the industry. The position is different with the agents. They naturally come into the business by way of a commission. We do not wonder at their opposition, but that is where the opposition is coming from.

18. Do not some of these agents make very large salaries?—Yes, it has been reported that some of them make very large salaries.

19. Then you think that it is the agents who are opposing the Bill, and not the merchants?—Certainly. I may say that I know of at least two agents who have been cabled to by their principals in London not to oppose the Bill.

20. Are they opposing it?—Not actively in those cases.

21. *Mr. Field.*] What does it cost to run the National Dairy Association?—£12,000.

22. What does it work out at per pound of butter and per pound of cheese?—1d. per pound on butterfat would amount to over £900,000. It is a very small fraction.

23. A very small fraction?—Yes. Might I add to that that as far as the association is concerned the whole of the expenses in recent years have been paid by the trading business of the association. I may also say that not one penny of capital has ever been paid into the National Dairy Association by the dairy factories. And yet if we were wound up to-morrow there would be something like £25,000 to distribute among the dairy factories.

24. There has been no charge on the suppliers at all?—No. There was one heavy loss a year ago, but otherwise we have been able to put away a small margin of profit every year.

25. With respect to the market in the East, can you tell us anything more about that?—Some of the larger dairy companies are sending small quantities regularly to the East. The people of the Eastern nations are gradually coming into line with Western ideas of living, and the demand for butter as a necessary universal food will gradually grow.

26. Japan, China, and Java?—Yes. Japan, China, Java, Hong Kong—all through the East.
27. With regard to the position in Taranaki, have there been many speakers at work up there giving their views for or against the Bill? How many have been speaking for the Bill, and how many against the Bill? What has been going on up there?—There is a somewhat difficult position up there. They have been fighting over the Bill all the time, and there is certainly a stronger organized opposition in Taranaki than anywhere else. I think Mr. Corrigan knows the position in Taranaki fairly well, and when he speaks he will probably be able to explain the position up there much more fully than I can.
28. But meetings have been called at least by the promoters of the Bill? Have not the persons interested for and against the Bill held meetings in the Taranaki District? Did not the representatives of the dairy companies hold meetings?—Yes, there have been meetings held. A statement had been made here that at the Stratford meeting a resolution was passed instructing the dairy-company representatives to go back to the dairy companies and consult their suppliers. I may say that no such resolution was ever moved or passed.
29. You think the other side have been fully heard?—Not amongst the shareholders.
30. *Mr. Masters.*] There is one point in connection with the statement made by Mr. Ranford: you stated that the objection of the Stratford Factory was because sufficient information was not submitted to the dairy-farmers?—I have his remarks here that were taken down at the annual meeting on the 20th June.
31. Would you be surprised to learn that the bulk of the farmers are opposing the Bill on altogether different lines?—I would not be surprised.
32. They are quite agreeable to the control so far as shipping is concerned, but they are not agreeable to anything further?—I would not be surprised.
33. Mr. Brash, you say that a resolution was carried at the Stratford meeting to the effect that the dairy-farmers' delegates should go back to their respective districts and call meetings of their suppliers and take a vote as to whether or not they wanted control or otherwise?—I have the minutes of the meeting here, sir.
34. What was the effect of the resolution that was carried?—There were a number of resolutions carried.
35. What was the resolution carried on the 24th May?—You mean on the 25th May, do you not?
36. Yes?—The resolution that you refer to reads, "That the vote on the resolution be deferred, and that each factory be requested to reply in writing as to whether it is in favour or against." This resolution was carried. I may say that it was written out by the man who moved it.
37. In regard to the agitation in Taranaki that has been referred to, do you know of any meetings that were called by the opponents of the Bill apart from the meetings of the promoters of the Bill?—Do you mean a general meeting of shareholders?
38. Yes; they did not call meetings the same as the promoters of the Bill did in the different centres?—I have no record of it.
39. Quite a number of meetings were held, and they were addressed by prominent men, including Mr. Grounds, on several occasions?—Two meetings were held at Stratford.
40. And the farmers were addressed by the promoters of the Bill at New Plymouth?—That was away back in the original proposals—eighteen months ago.
41. I take it that the Taranaki farmers have had an ample opportunity of hearing all the experts speaking in favour of the Bill, and they have come to their present conclusion on what they have heard?—It has been a very hot corner up there.
42. *Mr. Forbes.*] Do you admit that there is a considerable amount of opposition to the Bill?—Yes, there is certainly some opposition to it.
43. It is a fairly substantial one?—Yes.
44. Do you not think that something should be done with a view to arriving at a proper understanding of the position—would it not be better to do that and come to some compromise than to put into operation compulsion?—The question of improving the conditions in connection with the handling of produce has been before the dairy people for about thirteen years—in fact, ever since I have been associated with the National Dairy Association, extending up to a period of thirteen years. There have been ample opportunities to submit suggestions in connection with the matter. I submit, sir, that the present proposal is the best that could be undertaken.
45. You do not think it is right and that no modification is required?—On general principles the Bill is sound.
46. Was the Bill suggested by the National Dairy Association?—No, but by a committee specially set up.
47. Independent of the National Dairy Association?—Yes, that is so.
48. The committee consisted of representatives from the North Island and representatives from the South Island?—Yes; twenty from the North and ten from the South Island.
49. And that committee drew up this Bill?—Yes, in conjunction with the Minister of Agriculture.
50. You heard it expressed in evidence that one of the reasons for the opposition to the Bill was because there was very little faith in the management of the National Dairy Association—you heard that expressed, did you not?—Yes.
51. Do you think there is any justification for making that statement against the National Dairy Association, and that it has failed to protect the interests of the dairy-farmers?—Not so far as it has had power to do so. The best test is in connection with the election of the directors of the National Dairy Association. We find very few changes, although a vote is taken in the way I have

suggested. The smaller factories which have made so much noise in that connection receive better voting-powers than the bigger factories, and there has been no change in recent years in the Board controlling the National Dairy Association.

52. Did the evidence that there was dissatisfaction with respect to the National Dairy Association come as a surprise to you?—There has not been much dissatisfaction with respect to the National Dairy Association, but it has suited the opponents of the Bill to make the National Dairy Association the stalking-horse. Our business has been steadily growing since the last thirteen years.

53. What does the National Dairy Association do in addition to arranging freight?—Importing supplies and the necessary requisites used by the dairy factories. The goods go direct to the dairy factories—that is to say, we do the indenting, and it would be safe to say that we do 80 per cent. of the business. Take cheese-bandages, for instance, it is estimated that the Dominion used some 650,000 yards every year. The National Dairy Association has orders on its books for the coming year of over 500,000 yards for the various dairy factories.

54. Do you sort the goods here?—The great bulk of it goes direct from the ship's side to the dairy factories concerned. There is, however, a small quantity kept in stock in case of emergency.

55. You find in that respect there is no falling-off in the support of the National Dairy Association?—The support is growing.

56. *Mr. Langstone.*] Arising out of Mr. Masters's question dealing with the position in Taranaki, I have in my hand a speech that was delivered by Mr. Maxwell, and I presume that it was circulated pretty freely throughout the Taranaki District—it deals with the revolutionary and communistic powers, and says it was advocated by a clique in which a great number of the producers have not the least faith: do you think that a circular of that character would prejudice the minds of the producers in Taranaki against the proposed Bill?—Undoubtedly. I do not know whether the full speech has been sent round to the farmers, but I have a copy of the circular that was circulated by Mr. Maxwell, and it is more or less on the same lines.

57. I take it that if the pool were established it would mean that the local agents would be almost eliminated—they would deal direct with Tooley Street?—I would not say that would happen right away. Very full investigations would have to be made before any steps of that nature would have to be taken.

JAMES RENDALL CORRIGAN, M.P., examined. (No. 24.)

Mr. Chairman and gentlemen,—I would like to say that I have been connected with the dairy industry for over twenty years, and during that time I have never been a director of the National Dairy Association. I have been Chairman of the Hawera Dairy Factory for a number of years, and I have taken an active interest in the industry generally. Since the year 1907 we have been endeavouring to evolve a scheme for the purpose of controlling our produce and better the conditions existing between New Zealand and London. At the present time we have nothing to learn from any other country in the world in co-operative manufacture of dairy-produce, but we feel that we could make improvements between here and London, and that has been exercising the minds of the leaders of the industry since 1907. In 1912 I was in the Old Country, and I went into the position of the arrival of our produce and the marketing of it there, and I could see that there was plenty of room for improvement, and we have never had a person who has been to the Old Country and connected with the dairying industry that has come back and said that no form of control is necessary. In 1913, in Hawera, I stated at a meeting what was my experience in the Old Country, and there was a committee set up to evolve a scheme. We presented a report to the Annual Dairy Conference at Palmerston North in the following June. There was a minority report and a majority report. Mr. Pacey and two others opposed the majority report. There were twelve men on it, and nine supported the majority report. We put in the whole day discussing it, and it was then carried at the Conference that we were to make every investigation and report at the next meeting of the Conference, which was in twelve months' time. But during that period the war broke out. The matter was then left in abeyance. There was nothing done then until last year, or the year before last. It was then decided that we would go on and see if we could not get some scheme of control set up for dairy-produce. Mr. Goodfellow at that time was in the Old Country, and we realized—the committee that was carrying on this work realized—that it was no good to go on with the matter until Mr. Goodfellow returned, because he himself and his company exported one-quarter of the exportable surplus of the dairy-produce of New Zealand. We realized at once that unless he would come in with the scheme it was no use going on with it. Well, on his return we met at Wanganui, and we discussed the whole position. He gave us his experiences in the Old Country, and his experiences were exactly the same as mine were in 1912, and we decided upon a pooling scheme. Perhaps members of the Committee will recollect that it was stated at the Conference in Wellington that we would support a pooling scheme. However, when it was submitted to the Conference they did not like the idea, and they referred it back again, and asked us to see if we could not get something more suitable for the whole country. Then the Committee sat again on several occasions, and we developed the scheme put before you last year in the nature of the Dairy Control Bill. I may tell you that a Dairy Council was set up by one of these Conferences, consisting of ten members from the South Island, and twenty from the North Island, giving as near as possible representatives for every branch of the industry, and from isolated parts of the country. It was thought that by this means we would have practically and unanimously the whole of the dairy industry ideas upon this question. Well, it went on from that. Last year, as you know, the Bill was placed before Parliament, but it was stonewalled and held up. Since

then we have had a good deal of agitation in connection with this matter, and the Bill has been brought forward again this year. During the period that has elapsed since last year there are certain interests in Taranaki that have been organized, and there is no doubt of the feeling in Taranaki that the organization that has been set up there in opposition to the Bill comes from the exporters and the agents. In my own mind I know that it comes from the exporters and the agents. They go to a certain number of the dairy-producers, and they put their side of the question, and they practically get them mesmerized to believe that they are right and that the dairy-producers as a whole are wrong. I do not blame them for that, because I can see myself that if the Dairy Control Bill is passed, and the Board set up, that some of those gentlemen are more than likely in time to lose the positions they hold at the present moment. But then we look at it from this point of view: are a few men—say, twenty-five agents—are they going to hold up the dairy industry of this country, or are the producers to have the right to carry on their own business. Now, there has been a committee working here in Wellington against the Bill, and propaganda has been distributed over the whole of New Zealand—the South Island and every part of New Zealand. I have seen practically the same propaganda in all parts of New Zealand. Now, the promoters of the Bill have not been doing any propaganda work at all. What they have done is this: they have held meetings in Dunedin and Southland and Christchurch, and a meeting at Leeston. In the North Island they held a meeting at Hamilton, two meetings at Stratford, and there was the annual meeting of the Dairy Association in Palmerston North. That is practically the work that the promoters of the Bill have put up. Now, I am quite certain of this, gentlemen: that 90 per cent. of the dairy-producers—that is, all the co-operative dairy-factory producers—are in favour of this Bill—

1. *Mr. Field.*] Throughout the whole Dominion?—Yes. Every man that I have met who has discussed the matter with me, as soon as I have shown him what the idea of the Council was, has said, "That is the very thing we want." That is the position which exists now. I myself as an individual producer—and I produce as much butterfat as Mr. Maxwell represents—am quite satisfied that it is this Bill and this Control Board that is required in the industry. I am quite certain upon that point. The setting-up of that Board will prevent the dairy-producers playing ducks and drakes with their produce. They will not be able to do that. And then in the future we will have to consider the other countries of the world, which will come into the primary production market again. During the war period they were knocked out, but they will come back again. We will have great competition from those countries in the future. They will be competing with us, and it behoves us to get the best organization together to work in our interests that we can. When I was at Home in 1912 Russia was becoming a very predominating factor in the butter-market at Home. Siberia was sending very large quantities of butter to the Home market. Now they are sending none. But they will come back again. Then there is the Argentine, and other countries. It is necessary that we should be alive to the position and keep our own produce up to the mark as far as quality is concerned and get the best out of it for the dairy-producers of this country. So we really want this Control Board. Now I will tell you what happened a year ago last April in Taranaki. We had a very bad slump in butter, and the dairy-producers, I can assure you, were hit very hard. Butter went down to 1s. 1d. per pound. Well, I was in Stratford one day at the Dairy Union meeting, and one of the buyers came to me and said, "Any butter for sale." I said, "Yes, 1,500 boxes." He said, "I will give you 1s. 2½d. for them." I said, "No, I will not take it." Now, the reason I would not take it was not because of the price, because that was a good price at that time, but I thought when he was offering me that price it might be worth while to hold on for more. Well Stratford sold, and Mangorei sold. They were forced into that position. Mr. Morton sold, I believe, about 2,000 boxes. Well, within four days I sold 2,000 boxes at 1s. 4½d. Another factory sold at 1s. 5½d., and so it went on, until at last for some of the butter I was making I got 1s. 8½d. Now, that butter was shipped away between May and October. The amount shipped away out of Taranaki was 72,964 boxes, and practically the whole of that butter, for which those different prices were paid out here, was sent Home to one firm, and that one firm is a very big firm in Tooley Street—

The Chairman.] I am sorry to interrupt you, but the time has come for the adjournment of the Committee.

FRIDAY, 3rd AUGUST, 1923.

WILLIAM GROUNDS examined. (No. 25.)

1. *The Acting-Chairman.*] Whom do you represent?—The Hokianga Dairy Company.
2. We will be very glad if you will make your statement to the Committee?—It is not my intention at this late stage of the proceedings to weary you as to the position that justified us in asking for the Bill, and I think it would be better if I review the main points of the criticisms that have been levelled at the Bill, and in doing so to emphasize the main points in opposition. I may say that I listened to some of the criticisms that were made and I was struck by the futility of some of them. There was one particular statement that struck me as being particularly stupid, and it seemed to me that it called for some observation. I am referring to Mr. Bond's statement that he had been offered a seat upon the Dairy Council. It was to me so transparently stupid, but at the same time it appeared to me necessary that some inquiry was necessary for the purpose of ascertaining how he himself came to form such an idea. I made inquiries and found that it arose in something like this way: Mr. Bond, together with Mr. Corrigan and a number of others who were opposed to the Bill, were discussing the question. Something was mentioned as to the probability of some fine jobs being available as a consequence of it, and Mr. Corrigan remarked, "Well, I am a member of the Council,

you can have my seat if you want it." That appears to be the only justification he had for saying that he was offered a seat on the Council. I merely drew your attention to that fact in order that it will be seen the absolute lack of balance that is displayed by any man who makes an assertion of such a description. Now as to the suggested arbitrary interference that would be involved. Directors seem to lose sight of the fact that any company giving those powers of acting on behalf of those factories to them that they themselves were individually responsible for the sales of their produce. That is one of the main features of their opposition. We maintain that so long as they can secure better results by a combination of the general interests of the industry then they are very well conserving the industry as directors. Now, in regard to the question of compulsion it has been said—and we recognize it—that it is absolutely impossible for us to secure the best results that we are aiming for unless there is that power behind it to exercise pressure upon those who wish to withdraw from the course that is considered best in the interests of the industry. We have had examples of that over and over again. Some years ago an effort was made to organize an advertising campaign in the interests of the industry, and only 50 per cent., or a little over, of the factories were willing to contribute towards this end—hence nothing was done. Only a month ago at a conference it was decided to advertise at the forthcoming British Empire Exhibition. The resolutions were passed at the conference, but it was impossible for any levy to be made until the consent of the factories had been obtained. All the factories were circularized with a view to securing their consent to the proposed scheme of advertising, but some of them have refused to agree to the levy being made. On the other hand, there are a number of factories that have signified their willingness to pay the proposed levy provided the others pay. Other factories say they are prepared to pay if 70 per cent. will pay. Others, on the other hand, say they will pay if there is 90 per cent. of the factories willing to pay. In the meantime the whole matter has to be held in abeyance simply because factories are only willing conditionally to pay a proportion of the cost involved. I have here copies of replies that the National Dairy Association has received from the various companies with respect to the advertising proposition, and they are all on the same lines—that is to say, they are prepared to pay their portion of the levy if the other fellow pays; and then again others stipulate they will subscribe towards the cost if 70 per cent. of the industry contribute towards the cost, and in consequence of this state of affairs we have got nothing done. So much for compulsion and the necessity for it in even those comparatively trifling matters. Our friends are apparently not aware that the South African Government at the present time are submitting to their Parliament a proposition—namely, a Bill called the Agricultural Industry Advancement Bill, which stipulates that whenever 50 per cent. of any branch of the agricultural industry decides in favour of a levy for advertising purposes, or for improving the marketing conditions generally, or to improving the conditions generally attaching to that branch of the agricultural industry, then this Bill provides that they shall have power to do so: and, gentlemen, that is what we are asking for by the introduction of the Dairy-produce Control Bill. I merely mention that fact for the purpose of indicating the tendency in other countries to have united action, and by the introduction of the Bill I have just outlined it shows that the South African Government realize the impossibility of doing anything at all unless there is this power to act on behalf of the whole industry. I want to make myself clear regarding my interpretation of the compulsory clause in the Bill. I feel sure that we are making it plain that any movement or any change from the present system must be based upon a complete understanding of the whole thing, and that we have secured all the necessary information that would warrant us in making the change. I may say that I am speaking as a member of the Council. I maintain that when the Board had made full inquiries which justified it in making the change, the industry would recognize the need for that change when the information that the Board had secured had been placed before them. We recognize, like many of our critics, that the future has in store for us very trying times, and we recognize also that the world's competition has been more or less eased. I submit, sir, that the post-war conditions must be revived. Many of our critics have said it is quite impossible for the dairy-farmer to carry on unless the present prices are maintained, and we submit that it is only by an organization of the kind we suggest and by a consolidation of our interests that it will be at all possible to maintain that level of prices. We do not consider that we can interfere with the general level of the world's prices, but we are desirous of eliminating unnecessary expenses to enable us to secure the best results for the industry. Now, sir, it has been urged that the calculation of the butterfat basis was not a fair one. Now, I can speak independently for a district which I represent—the North of Auckland district. We are producing from fifteen factories in that district at the present time 5,784 tons of butter, and those factories have 3,780 suppliers. It will be seen, therefore, that when you are calculating upon a butterfat basis, generally speaking, it implies a related number of active dairy-farmers who are interested in the industry, and it will be seen by the figures I have quoted to you that each dairy-farmer produces less than 2 tons of butter. It was suggested, sir, that I had to conceal our attitude in the speeches I had been making throughout the country. It appears to me to be unnecessary to go to any length into that matter, but I wish to submit to you gentlemen a copy of the speech that I have made in the country so that you can determine as to whether or not the issue has been concealed. [Copy produced.] I think, sir, by handing in the speech that I have made it will considerably shorten the time I will occupy the attention of the Committee. It has been suggested by certain critics that I had misrepresented through the Press the body of opinion favouring the Control Board through the country, and in doing so they said that some of the figures I had submitted were obviously wrong. One that was submitted before you was the votes that were recorded at Dunedin. It was pointed out that there were eighty-nine votes for and thirty-eight votes against, and that critic said, "Why, gentlemen, it is quite evident that those figures are wrong, seeing that there are only 124 factories in the South Island"; but that critic had refrained from reading the paragraph which was quoted below those figures, and I have a copy of it. Now, sir, it

was explained that we were anxious that an open vote should be taken at Dunedin so as to ascertain exactly what proportion of butterfat was behind the proposition, and what proportion was against the scheme. It was the opponents of the scheme who objected to an open ballot, and as a consequence we were denied an open ballot and had to have a secret ballot, and it was taken on the basis of the election of the South Island Association, which gave the larger factories two votes, and you will see that some had two votes while others had one, and therefore the figures are perfectly *bona fide*. As I said before, sir, it was urged that I had misrepresented the actual feeling through the country. In connection with that I desire to say that wherever I have spoken I am convinced there is a growing feeling in favour of the Bill. Now, the question of Taranaki and Stratford has been quoted in connection with this matter, and I would like to make it clear that I did not attend the first meeting at Stratford where a resolution was carried referring the matter back to the factories, and that the vote be returnable in a month's time. As a consequence, when I found there was some uncertainty as to the position in Taranaki I went to Stratford. The itinerary I took was Auckland at the end of May, and then I went to Hamilton, and at that place we found that even the opponents of the Bill agreed to every principle in the Bill, and they said finally if this were done without compulsion they would be with us all the way. When I was in the South Island I went to Christchurch and afterwards to Leeston, where an energetic campaign had been carried out some months before against the Bill, but although that was in the centre of a district controlled by an opposing company we got a unanimous resolution in favour of the Bill. In Dunedin the figures were eighty-nine to thirty-eight, and it was generally felt throughout the southern district that the opposition to the Bill had collapsed. When I returned from the Southland district I went to Rangiora, and at that place I received an equally favourable reception. I afterwards went to Stratford, and I found that a good deal of propaganda work had been going on against the Bill during the preceding month. Fully a dozen men who were at that meeting said to me afterwards, "If you had been here for the first meeting we are satisfied that all would have been well, but we have received our instructions in the meantime from our factories, and we are instructed to vote against the Bill." I may say also that I gained the same impression from various other people with whom I came in contact when I was in Stratford. I wish to make it perfectly clear that I am not speaking with personal pride in this matter at all, and I simply regard it as indicating the trend of thought. When once the people realized what we were asking for, then we have received the support of the majority of them. With a view to making the position absolutely clear we compiled a list of the various factories supporting the Bill and those opposing it, so as to be sure of the position for ourselves, and that has been done right up to last week. The list, as far as we can define it, shows the actual position of affairs throughout the country at the present time, and it represents a percentage in favour of the Bill of 76, and 24 per cent. against it. Those are the factories that have voted and declared themselves in favour of the Bill, and the factories that have voted and declared themselves against it.

3. *Mr. Masters.*] All over New Zealand?—Yes. I may say, gentlemen, for your information that we have not taken anything that has not been definitely recorded, and there are a comparatively small number of factories that have not recorded their votes in this list. I desire to put in the list of the factories so that you can see the actual position for yourselves, and, as I said before, it shows that 76 per cent. of the factories were in favour of the Bill and 24 per cent. against it. [List put in.] Now, sir, in dealing with the various matters throughout the country with reference to the industry I have mentioned the various discrepancies in the price realized for the New Zealand produce as compared with the Danish article, and I have noticed when dealing with some of my observations throughout the country the critics who appeared before this Committee have got some of the issues rather badly confused, inasmuch as they have confused one statement of fact with another statement of fact, and in consequence they have not clearly stated the position as I did when addressing the various representatives of the industry throughout the country. In analysing those figures I drew attention to the fact that whenever there was a serious slump in the price of dairy-produce in the Old Country it was always the New Zealand price that slumped out of all proportion to that of the Danish price, and while the average difference of price taken over a period of forty-one weeks during the last season was 13s. per hundredweight, yet whenever there was a slump in the price on the market the price of New Zealand produce went down out of all proportion with the level of the Danish price, and as a consequence during the first slump—namely, from the beginning of December until the middle of last January—there was an average weekly difference between the Danish price and the New Zealand price of 26s. per hundredweight. Seeing that there were 790,000 boxes of butter marketed at that time from New Zealand, I find if we had taken an average price we lost £290,000 as compared with the level of the Danish price during that period of seven weeks; but when I spoke of those figures throughout the country I said the only reliable figures—the absolutely reliable figures—that we could take would be to take out the different shipments from week to week, as with a varying average price and a varying amount in each shipment, the only way to arrive at an accurate estimate of what was lost would be to take shipment for shipment, and I propose to show you how that places us now. Before this Committee Mr. Maxwell said that by taking these average prices it was not a fair indication of the relative position of the New Zealand and Danish butter, and he quoted actual account sales to prove that the figures I have given were not reliable. Now, to show you how absolutely unreliable it is for any one to quote account sales from any particular ship I asked one of our exporting houses to give me a list of the highest and lowest prices which were known to have been realized during this last season out of any given ship's bottom, and I find there was a variation in cheese of as much as 18s. per hundredweight out of the same ship, and there was a variation in butter of as much as 54s. per hundredweight out of the same ship, so it will be seen in quoting account sales that anything can be proved from the figures that are given. Now, my method in endeavouring to arrive at an absolutely reliable position was to take the

lowest quoted New Zealand figures and the lowest quoted Danish figures on the High Commissioner's report from week to week, and I submit there is nothing that can be considered as fair as that in indicating the fair level of prices that were existing from week to week; and, sir, that is the basis of the calculation I have made, and I submit to you that that is a fair comparison of the prices realized with respect to New Zealand butter on the London market. And I want you to understand that there was an average variation of price from 4s. to 36s. per hundredweight in butter during the currency of the season; but taking shipment for shipment and the difference in price at the date of arrival in England for a period of some forty weeks, which covers the main part of the season, we lost, by comparison with the Danes, a total sum of £796,042 11s. Let me repeat, we lost a sum of £796,000 as compared with the level of the Danish price—that is, taking shipment for shipment. That is the net loss we have suffered, by reason of the fact that we do not do our business on the same lines as the Danes. I may say that the London authorities have maintained that if we can guarantee them as even a supply as the Danes they will guarantee us an equal price; but we cannot expect to get that if we still maintain our haphazard method of marketing. Now, it is significant, sir, that ever since there has been a restriction as to the flow of butter on to the English market the price for New Zealand butter has come up to the level of the price for Danish butter. When the market slumped a couple of months ago a number of our New Zealand factories immediately instructed their London representatives not to sell, but to hold back until such time as the market recovered. Since that has been done the New Zealand price has reached to the same level as the Danish price, and that shows that as soon as restraint is exercised we get to our natural level of prices and is in harmony with the Danish price. Now, something was said when Mr. Goodfellow was giving evidence before the Committee as to the various prices paid for butterfat, that small factories were paying a better average price than large factories. Now, many of the figures that were quoted were misleading, and, furthermore, the matter is quite outside the present question altogether. The point I want to make clear is this: the small factory which, by reason of its lower cost of management and its low overhead expenses, is in a position to yield more satisfactory returns will still enjoy that advantage. The same advantages must accrue to all factories throughout the country as a result of a consolidation of the interests and through an intelligent marketing scheme, and, moreover, it will not impair their position of any. They will still enjoy their low overhead charges and the low manufacturing cost. I submit that a mere comparison of balance-sheets is very misleading, because many of our factories working in the remote districts cannot work on the same level as the factories in the advanced districts, by reason of the difficulties they have to surmount in the manufacture of their butter. In our district, for instance, in order to get the cream delivered to the factory at 9 o'clock the launchmen have to set out at 12 o'clock at night to collect the cream. Being dependent upon tides they leave home an hour later every day until they deliver the cream at 4 o'clock in the afternoon, and from that they swing back to the morning, and that is one of the difficulties we have to surmount in getting the cream to the factory. For the same reason we work two shifts, one for cream and the other for milk. In connection with the butter shift they have to have everything out of the way for the cream shift, which means that the men on the butter shift have to be at work at 2 o'clock in the morning on the days with early tides. It will thus be seen in circumstances like this that you cannot expect to pay the same figure as factories that work along smoothly and work to a regular time-table. I think I could safely guarantee that our wages-bill would be higher than in any other factory. Owing to the difficulties we have to encounter we have to make it worth while for the men to stay there, and I contend that a comparison of figures under such circumstances would, as you can see, be hopelessly misleading. I want to impress that point upon you, gentlemen, in order to show you how misleading it is to have a mere comparison of factory figures to go upon. Now, something has been said with respect to the National Dairy Association, some criticism of that association in the various districts as a result of some of the members of the National Dairy Association not having the confidence of some of the factories. I submit, sir, that that is quite outside the question. I may say that the Council of thirty that has been endeavouring to promote the passage of this Bill only contains three members of the executive of the National Dairy Association. While I am not implying any criticism of the National Dairy Association, it seems to me to be distinctly unfair that it should be asserted that the Dairy Council that has been endeavouring to promote the passage of this Bill is synonymous with the National Dairy Association, which it certainly is not. Now, it has been urged from the Taranaki District that the Council is not representative of the industry. Now, sir, it is only from Taranaki that that has been urged, and I submit that it is not the fault of the Council. If Taranaki is not satisfied with its representation, then the clear duty of Taranaki is, when the opportunity presents itself, to have men on the Council that it has confidence in. We want a new Council to be elected that will have the confidence of the whole industry, and we submit that Taranaki will have the opportunity of electing such men to the Council as it has confidence in. It has been stated that the attitude of the Council has been such as to make the position "cut-and-dried." It has been stated that we have spoken with such precision that it was obvious that we knew exactly what was going to be done right through the whole of the business. Others have stated that we were not explicit enough—that we did not give sufficient details. Now, it is obvious that these two states of things could not exist at the same time. So it will be seen that we have been endeavouring to take a straight line and display what we thought would be the natural course of things, and we have never pretended to be able to say what course would or would not be taken by the Board. We have only indicated what we thought the course would be that would be taken by any body of representative intelligent men. And in dealing with the constitution of the Council, sir, we think that the suggestion that we made is in the best interests of the industry, and through them of the country. In all our dairying districts the men are elected to the directorates of companies who are considered to be the best men available for those positions at the time being. They then undertake

the responsibility of familiarizing themselves with all the different duties in connection with it, and we maintain that in that connection you have your suppliers of the dairy companies electing their directors, and then the directors electing the members of the Council, and then the Council electing the members of the Board. We think that that will be more practicable, because it will be handled all the time by the men who are in a position to have the most intelligent grip of the requirements of the position. Now, some criticism was extended on the question of storing supplies to equalize the supplies to the market. Mr. Pacey said that they recognized that the position obtaining in the English market before the war gave New Zealand its specially strong position. He said that they tried storing butter before the war to regulate supplies to the English market—to have an even quantity throughout the year. I do not know who he did that. For the sake of their reputation for intelligence I am glad that I do not know, because it is obvious that ten years ago the fact that our produce was available during the British winter was an important feature in the position that New Zealand occupied in connection with the British market. In 1912 25 per cent. of the butter and 24 per cent. of the cheese that was imported into Britain came from the Southern Hemisphere, and the consequence of that arriving upon the market at a time when there was a natural shortage of the Northern Hemisphere supplies placed New Zealand in a very strong position. But, gentlemen, what was the position last year? 55 per cent. of the butter and 53 per cent. of the cheese that entered the British market came from the Southern Hemisphere. And this occurred when Finland and Denmark diverted large quantities of their produce to the British market which would ordinarily have gone into Germany. They diverted it to the British market owing to the trouble in the Ruhr district. That produce would not have gone to Britain in the ordinary course. It is clear to me that if it had not been for that our proportion supplied last year to Britain would have been somewhere in the neighbourhood of 60 per cent. of the total importation of dairy-produce. Now, Mr. Pacey stated that the position that was obtaining ten years ago would be obtaining again in another two years. He said he recognized that during the last two years our butter was securing better prices upon the English summer market than upon their winter market, but he said that in two years' time things will be back again to normal, and we shall then again be enjoying the position that we occupied before the war regarding that market. Now, gentlemen, we in the industry here are looking forward quite confidently for a very considerable increase in our production. Does Mr. Pacey mean to say that it is not going to be increased, and that we are going to get back to the level of 25 per cent. on the British market? Gentlemen, it is unthinkable. Then, does Mr. Pacey infer that the importations from the Northern Hemisphere are going to be so increasingly large as to bring us back to that proportion of 25 per cent? Gentlemen, it is ridiculous. The Southern Hemisphere production is going to increase much more rapidly than it has already increased, and in the course of a few years I maintain that we shall find that the figures have been absolutely reversed on the British market—that we shall be supplying 75 per cent., and the Northern Hemisphere will be supplying 25 per cent. Now, if 75 per cent. of the produce of the Southern Hemisphere is dumped upon the British market in the winter-time, without organization, who is going to say what is going to come about? We know full well that chaos is going to be the result. And Mr. Pacey's prophecy must necessarily be all out. We are often reminded that a prophet has no honour in his own country: that has been said many a time. And that is the natural retribution that such a gentleman ought to have when he prophesies such an absolutely ridiculous prophecy as that we are presently going to be back to only a 25-per-cent. proportion of the importations into Great Britain. That is one of the very serious points that we have to consider, and it is only by organizing in the interests of the industry as a whole that we can hope to get anything approaching the best out of the business. Now, sir, I think I will now traverse the points that were made by Mr. Dear. Now, Mr. Dear is an accountant, and he gave his evidence here with precision and care, and he started off very well indeed. He stated that produce is the only thing upon which we finance, and then afterwards he began to speak about the supplementary securities which were at present enjoyed by the industry, and were assisting in the finance. Now, we recognize these supplementary securities, gentlemen, but let no one be under any misunderstanding regarding why and how those supplementary securities are given. They are given in anticipation of a satisfactory realization of the produce. No merchant will issue any letter of credit unless he thinks it is going to be a good thing for him from a business point of view. And consequently it is the final realization of the produce which is the basis of the whole thing. We do not recognize as our own idea what has been maintained by so many of our critics, that we are going to scrap the whole of the present financial organization. If the present arrangement cannot be improved upon, then it is not going to be interfered with. But we think that by the organization which will be brought about as the result of the establishment of this Board that certain improvements will be secured which will be of immediate benefit to the industry. Now, the general basis upon which advances have been arranged—that is on a consignment basis—has been an advance of 80 per cent. against the estimated value of the produce. Some of our critics have said that they have secured an advance of 100 per cent. In fact, one of our critics stated that he had secured an advance of over 100 per cent.—

4. *Mr. Masters.*] They produced figures?—Now, no one will say, gentlemen, that that is a sound business arrangement—if they secured 100 per cent. simply because of the collapse of the market that has taken place. There were plenty of people able to secure an advance of 1s. 5d. against their butter some months ago, which did not realize anything approaching 1s. 5d. when it came to be sold. As a consequence such figures are only misleading. No financial house can be expected to advance a full 100 per cent. There must be a margin of safety, and that margin of safety among the financial institutions has been roughly about 20 per cent. They make an advance of 80 per cent. against an estimated value, which provides a 20-per-cent. margin of safety. Now, we maintain that if, by a sound organization, and by an equalization of the supply, we can remove some of the fluctuations in the prices—because the fluctuations in the prices are a very essential point in the margin of safety—if by steadying supplies we can reduce those fluctuations, we ought to automatically reduce the

margin of risk, and as a consequence we could come into the position of being able to advance a larger percentage of the ultimate realizable value of the produce. So that while we shall be able to utilize any of the existing methods of finance that prove to be the best, we maintain that by this improved organization we shall be in a position to reduce the margin of risk, and as a consequence make better advance payments than can be made under the present system. Now, Mr. Dear said that their company, acting separately, had been able to save money on exchanges in London. Now, gentlemen, it is impossible for us to deal with anything in the nature of a report of how many companies have been able to sell their exchanges. But you will be aware that the Associated Banks have decided to charge an additional $\frac{1}{2}$ per cent. on their overdraft rate to those companies who are not utilizing the banks for the transference of their surpluses from London, because they recognize that this is an essential part of their business. Now, while we perhaps may not agree regarding the level of charges that are made by the banks for these services, yet I think there is no one who will urge that it is a sound proposition for any separate individual factory to trade and make the best arrangement it can regarding its exchanges. What individual factories would make in dealing with their exchanges on London would be as trifling as to be not worth present consideration. We want to organize to be able to get these things at the lowest possible rates, and I submit that there is no way of doing that like the consolidation of the whole of the interests of the industry.

5. *Mr. Field.*] Do you suggest that no one has sold their exchanges?—No, I do not. A few of them have. But what they have secured by these trifling sales is a mere peppercorn when compared with the general improvement which would be secured to the industry by a consolidation of its interests. Now, Mr. Dear said that they had also been able to get their money from London at 5 per cent., whereas the New Zealand bank rate was $6\frac{1}{2}$ per cent. Well, that was a statement which was very misleading, seeing that practically all the dairy companies have been in the same position. They have been getting their money at London rates, or rather in excess of London rates. The London firms have been prepared to provide as finance money at 5 per cent. As a matter of fact, the New Zealand Dairy Company, which is the only company that has been able to hold back supplies to steady its market, has been able to get money from London on a 3-per-cent. basis, which shows that money can be got much more cheaply by a consolidation of the interests of the industry. Now, Mr. Dear, accountant as he was, took a very strange course in explaining the principal gains and losses that might accrue as a result of the establishment of the Control Board. It will be remembered that when he was running over the probable gains he said there would be a probable gain of 10s. per cwt.—that is the disparity between the New Zealand and Danish prices. He then proceeded to say that it would amount to “slightly over 1d. per pound,” but with surprising inexactitude for an accountant he straightway proceeded to drop the amount that was over 1d. per pound. I remember, sir, that you asked Mr. Dear what those figures amounted to in the aggregate, and he said that he had not worked them out. Well, gentlemen, I have worked them out, and I submit these figures to you as indicating the measure of the importance to the industry for action of this sort. Now, Mr. Dear, as I say, stated that there would be a gain of 10s. per hundredweight—

6. *Mr. Langstone.*] Did he not say 10s. 4d.?—No; I think he said 10s. I have worked my figures out even upon the 10s. And then after that he proceeded to speak of the 1d. per pound gain, and possibly of another $\frac{1}{2}$ d. per pound gain on shipping. He said there would be $1\frac{1}{2}$ d. per pound gained in that way. Now, that is a little bit wide of the mark. What he had dropped was an amount of no less than $\frac{1}{4}$ d. per pound in his calculation at 10s. per hundredweight. Now, $\frac{1}{4}$ d. per pound is not very much on a pound of butter, but when it comes to our exportation of over 60,000 tons it means £40,598. That is what the little bit amounted to that he dropped overboard. Last year we exported 2,435,896 boxes. Now, that amount at 10s. per hundredweight means £608,974. I have already submitted to you, sir, figures of the comparative loss that has taken place between New Zealand and Danish butter—that is, taking shipment by shipment, which give the most accurate figures possible to arrive at. I have submitted those figures to you, sir, which show plainly that the 10s. per hundredweight is not sufficient to cover what has been actually lost. I have shown you that we have lost actually £796,000 as compared with Danish. Mr. Dear then stated there would be a gain of possibly $\frac{1}{2}$ d. per pound on ocean freights. Now, $\frac{1}{2}$ d. per pound on ocean freights on our last year's freights amounts to £139,820. I submit that Mr. Dear was altogether too moderate in his estimate of a saving of $\frac{1}{2}$ d. per pound. We are paying at the present time 5s. a box on butter, and $1\frac{1}{8}$ d. plus 10 per cent. per pound on cheese—

7. *Mr. Brash.*] $1\frac{1}{8}$ d.?—Yes. Now, that works out at 11s. $6\frac{1}{2}$ d. per hundredweight on cheese and 10s. per hundredweight on butter. Last year the exportation was 63,963 tons of butter, and at 10s. per hundredweight that means £639,630. The amount of cheese exported was 55,883 tons, and that at 11s. $6\frac{1}{2}$ d. per hundredweight amounted to £704,983. Our total freightage last year cost us £1,344,613. The pre-war charge was 5s. per hundredweight on butter—2s. 6d. a box—and 4s. 8d. per hundredweight on cheese. It has been submitted to the shipping companies, as a fair basis for present freightages, that the charge should be 50 per cent. above pre-war rates, and that is a fair basis upon which estimates can be made now. 50 per cent. upon pre-war rates makes butter 7s. 6d. per hundredweight, and cheese 7s. per hundredweight. On that basis it makes a reduction of exactly $\frac{3}{4}$ d. on the ocean freightages, instead of the $\frac{1}{2}$ d. that Mr. Dear estimated that we might secure. Now, $\frac{3}{4}$ d. upon butter and cheese means a matter of £419,460—that is not taking into consideration any possible loss that has been incurred by the hold-up of cheese last year. It has been stated by some that this is a buttermakers Bill only, and yet every cheese factory in the country was impressed with the fact that they made very heavy losses owing to their inability to get their cheese to the market during the earlier part of last season, and the merchants in London have maintained that if the supplies had been kept steady there would have been no reason for the fluctuation in values that was experienced, and no reason for the consequent recoil that had been experienced. I have made

a rough estimate of the probable loss to the country that was suffered through that hold-up of the shipment of cheese during last season. It will be remembered that prices went up to as high as 156s. for cheese, when the normal level was something about 125s. During a period of some four or five shipments prices went so high as a result of the fact that there was nothing like an adequate supply of cheese upon the British market. And after that there came the reaction, and prices went down to as low as 83s. I have estimated the probable gain to New Zealand on the shipments which reached the market during those high prices, and I find that, estimating the probable gain on those shipments at 20s. per hundredweight we gained £257,000. I have estimated what we probably lost owing to the collapsed market which followed through that unevenness of supply, and I found that, estimating upon a basis of 30s. of loss for the earlier shipments—that was when the prices went down to as low as 83s., and the London houses said that if the supply had been maintained steadily they would never have gone below 125s.—it amounted altogether to £781,000. We lost altogether, as a result of that slump, a matter of £781,000. So that, taking into account what was gained during the period when the high prices operated, the New Zealand cheese-producers have suffered a net loss of £523,900. Sir, if we group all these figures together we get a fair estimate of the probable gain, which Mr. Dear did not allow for in dealing with his profit and loss account. If we group all these figures that I have enumerated—there is the £796,000 loss on the comparative levels of the Danish and New Zealand prices in butter, there is the £419,460 representing $\frac{3}{4}$ d. per pound upon shipping and there is the £523,900 the estimated loss to the industry through the hold-up of the cheese—grouping all these together we have a total of £1,739,360—approximately a million and three-quarters, which can be quite honestly submitted as the other side of Mr. Dear's balance-sheet—as the estimated gains of the establishment of the Control Board on the basis of our exports for last year.

8. *Mr. Masters.*] You are basing your figures on what you think you ought to get in the matter of freight, not on what you will get?—Well, I think I have shown that the $\frac{3}{4}$ d. per pound which Mr. Dear submitted as a possible gain is not what we have legitimate grounds for anticipating. I think we can legitimately anticipate much more than Mr. Dear has calculated on.

9. You are basing your losses on what you anticipate you can get?—We are basing the losses upon a comparison of what we think is a fair basis, and what has been submitted to the shipping companies at the present time as a fair basis to charge freight on our produce. Well, against that there is the question of the exchanges, which I have already shown you is just a ridiculously small item. To equalize supplies we know will involve storage. We recognize that you cannot hold butter in cold storage without incurring certain expenses. The whole thing is a purely business proposition. Mr. Dear said that our quality depreciates to such an extent that it is impossible to maintain a supply all the year round. I maintain that is quite fallacious. I maintain that the technical side of the business in New Zealand has overcome the question of distance. At the recent Palmerston Show butter that had been shut up in cool store for over three months was opened up and graded from 94 to 96 points. When butter that has been over three months in the cool-store can open up and grade like that, I maintain that the technical side has overcome the question of distance, and that we can supply a good quality of butter all the year round. I quite recognize that we cannot handle cheese by exactly the same methods as we handle butter, but the same intelligence can be applied to the cheese position, and that is all that we are asking for—that we can apply intelligent methods to the handling and the marketing end of the business. Interest will, of course, have to be paid, and storage will have to be paid; but you will remember that Mr. Goodfellow, in his evidence, maintained that they had been able to pay £50,000 more to their suppliers as the result of their storing. As a further evidence of the value of storing I submit to you, sir, the following letter which was sent to the secretary of the National Dairy Association from the Dairy Division of the Agricultural Department on the 10th March, 1923:—

“DEAR SIR,—We have to pass on to you the following extract from a report of the 10th January last from Mr. Wright, the Inspector of Dairy Produce in London, which we believe will be of interest to you:—

“Mr. Adams, the principal of one of the leading firms in the potteries district, has for a number of years been in the habit of buying sufficient New Zealand butter to enable him to stock it regularly throughout the season. You can understand that to enable him to do this it must mean a considerable outlay of money and cost for cold storage during the period in which our butters are not available here, and he stressed the point that he considers that if the producers in New Zealand would arrange their business so as to enable a continuity of supplies in this country it would facilitate and encourage the development of the general retail trade through the United Kingdom.

“He stated that he has been forced to adopt this method of cold storage so as to maintain a regular supply of an article of uniform quality to his customers the year round. If it were otherwise he stated he would have great difficulty in retaining his trade, because the character of butters from other countries is so variable in quality and so unlike the New Zealand article.”

Now, sir, I maintain that that in itself is a complete answer to any of the misgivings regarding either the economic value of storing or to their misgivings regarding the quality of the butter. I think that the letter I have just quoted is sufficient proof with respect to the value of storage, and it is interesting from a business point of view. Mr. Dear said that he recognized his case would break down if it could be proved that we could make satisfactory advances, and I maintain that in consequence of the figures I have quoted to you it is clear that we are in a stronger position with the consolidated interests of the Dairy Meat Board than without it. Now, a counter proposal was made by the opposition that a Producers Board should be established to deal with shipping, and, I think, with advertising.

10. *Mr. Masters.*] I do not think that that was included, Mr. Grounds?—At any rate, it does not matter very much. Then I would urge, sir, the absolute importance of doing one thing with the other, and we maintain that they are inseparable, and that you cannot do one successfully without, to some extent, handling the other branches too. Take the question of shipping, for instance: how are you going to effectually handle shipping if you do not control the goods? If a company maintains its right to market and handle its own goods, what, then, can be done if it decides to

ship 50,000 cases to America after contracts have been made for shipping? As is recognized, the shipping companies require at least eight weeks' notice now regarding shipments.

11. Do you not propose to enter into contracts with the shipping companies?—Yes; but I am asking the question how is it going to be possible to work the business efficiently if you do not control the goods. For instance, supposing at the last minute it is decided, as is the case now, that a certain factory desires to divert its supplies to some other country, how can the whole of the produce be effectually handled? How can you effectually handle shipments to Manchester, Liverpool, Glasgow, and other ports where we are constantly being urged to send consignments? Unless you control the marketing also you will have no means of knowing what quantities will be going forward to these different ports if it is arranged in the intermittent way it is with factories at the present time. Again, the quantities booked by factories under our present system to either of these ports may be as trifling as to make it impossible to make satisfactory shipping arrangements for the handling of those small supplies. Thus the intelligence department is so interwoven in the whole business that we maintain no intelligence that can be secured will be of any avail if it is broadcasted to the factories when it has been secured. The essence of the value of the intelligence secured is generally the speed with which it is acted upon. When you have acquired your information, and if you have to broadcast it to your various factories, frequently no advantages will be gained, because you broadcast that information to the world at the same time as you are giving it to your factories; and, moreover, in giving that information to your factories you let loose forces which tend to break down the value of the advice you have given; and unless the matter is controlled intelligently in the interests of the factories your intelligence which you have acquired can be of no avail to the industry, and your last stage will be more or less worse than the first if you supply information which you more or less discount by the method of handing it on to your factories, and by their lack of organization, or collective movement, in the handling of the information you have given them. It is just the same when developing new markets; unless you have a control of supplies your market may quickly become disorganized; which means that the producers have to suffer because there are always those who look out for opportunities to avail themselves of these varying markets, and it is a regularity of supplies upon which the whole position must be based. Sir Thomas Clements, when he was in New Zealand, said, "I am satisfied that the best brands of New Zealand are equal on the average to anything which Denmark can produce. That being so, the question must arise in your minds, why is it that New Zealand butter is selling so far behind Danish? I will tell you at once that it is not so much a question of quality, but a question of regularity in supplies." We maintain that just the mere shipping of the produce is not going to secure that regularity, and, furthermore, we maintain that without general control of the position, which is absolutely imperative in the general interests of the industry, no improvements can be looked for. I think, sir, I should say a word or two about the Dairy Produce Control Bill. I have already referred to the constitution of the Council, and we think that it is a vital feature of the proposition that this Council should remain in existence, when it is once elected, until it is replaced at a succeeding election the following year, because we think that the continuous existence of this Council will be a valuable go-between as between the Board and the Council. If anything turned up that had not been anticipated, or the full significance of it had not been anticipated, then the Council, as a consequence of its wider knowledge of the industry, could be called together to consider any new development. As a consequence of that fact, sir, we regard the constitution of this Council as being an important feature in the proposition. Now, we have deliberately avoided any question as to the local supplies, because we are only concerned with respect to the export of butter, and we recognize that the local suppliers will look quite well after themselves. There will be the same competition as exists now between the different factories with respect to securing the local market, and we know that the local market cannot possibly suffer as a consequence. It has, however, been suggested in some quarters that it would be better to have a clause in the Bill to effectually safeguard the local supplies with a view to seeing that there was no over-exportation, and we are quite prepared, if the Minister and the Committee think it is necessary, to incorporate such a clause, because we have no desire and no intention of interfering in any way with the local New Zealand market. As a matter of fact, we are only asking for power to enable us to organize in the interests of the industry and keep it upon a sound basis. We maintain, sir, that all business men are now aware that changes are taking place with such rapidity in everything that it requires constant care and surveillance and the sound management of any business. No business can be conducted by stereotyped instructions being posted at the back of the office-chair. It requires intelligent care the whole time in the handling of everything that comes along. If it is necessary in comparatively small business establishments and in small interests, then we maintain that in the interests of this great industry of ours the same thing should be made to apply—that is to say, that intelligence should be made to apply in the administration of the business. That, sir, is really what we are asking for: that the industry may be allowed to apply intelligent direction to the whole of its work.

12. Mr. Grounds, if there was a considerable feeling of opposition on the part of the farmers to this Bill, do you think that it should be put through in face of that considerable opposition?—I do not think there is any really considerable opposition.

13. That is not an answer to my question, Mr. Grounds?—Well, I would not like to presume to say to you what should be done.

14. If there is considerable opposition, do you think the Bill should be forced on what is the minority?—I think that in the interests of the industry it is desirable that the Bill should be passed.

15. Even if there is considerable opposition?—Yes, even if there is considerable opposition.

16. Were you present at the meeting at New Plymouth when Mr. Brash said that unless the producers wanted it it would not be forced on them?—I was not there.

17. Were you there, Mr. Grounds, when Mr. Corrigan said that they should go into the matter whole-heartedly or throw it out whole-heartedly?—No.

18. Would you be surprised to learn that both those gentlemen made those statements I have referred to?—I do not know how they have been reported. Newspaper reports are frequently very wide of the mark.

19. I take it if those statements had appeared in the newspapers in support of the Bill you would say they were reliable reports—ordinarily you would take it as being so?—Yes.

20. Do you remember the Prime Minister making the statement that if the dairy-farmers agree to some form of control the Government would pass the necessary legislation?—We think a large measure of agreement has been secured when we get 76 per cent. of the industry in favour of the Bill.

21. You will not suggest that they have all agreed to it?—You will never get an absolute agreement.

22. So that if the Prime Minister carries out the statement he made at Stratford, that the farmers should agree before any legislation is passed, that promise should be kept?—I think that with the exception of Taranaki the whole of the country is practically supporting the Bill.

23. The Prime Minister was not talking of Taranaki, but was talking of the industry as a whole in New Zealand, and stated that if the farmers agree to some form of control then the Government would pass the necessary legislation?—That all depends on what is meant by the word “agree.”

24. However, if that statement was made, do you not think the promise should be kept?—We think there is a sufficient majority to warrant the passing of the Bill.

25. That is not an answer to my question—the question I asked you was this: if the promise was made by the Prime Minister to the producers of the Dominion that if they agreed to some form of control the Government would pass the necessary legislation, do you not think that that promise should be kept?—I suppose it will be kept.

26. You will not answer my question: I have asked you a very plain question, whether if the promise was made by the Prime Minister that promise should be kept?—Exactly, it should be kept.

27. On the figures shown by you according to the tons of butterfat in New Zealand there are 61,000 tons in favour of control and 20,000 tons against control—in other words, one-third of the total output of New Zealand is against control. In view of the statement of the Prime Minister and of prominent men connected with the promotion of this Bill, that nothing would be forced on the opponents to the Bill, do you not think that that is sufficient justification not to pass the whole of the Bill in the manner it is attempted to be passed?—I think that a hybridized Bill of that sort would be of no value to the industry at all, and, moreover, I think that if the Board, after a full examination of the whole position, is convinced of the necessity of another change it will be able to convince the industry of the need for it.

28. There is considerable opposition: as a consequence of the promise made by prominent advocates of the pool, and also of the Prime Minister, is it fair to force the pool on to the people who are opposed to it?—It is not for me to presume to pass judgment on the Prime Minister.

29. You have your own opinion about it?—Yes, and I have already stated it.

30. That it should not be forced on them—I understand that. In the list which you have submitted you have certain factories, particularly in Otago and Southland, which you suggest are in favour of the Bill: are you aware that Bobby Burn is against the Bill, and the Lochiel and Browns are in favour of a Shipping Board and against the Bill?—There is nothing on the list about which we have not information.

31. I have here a telegram showing that Bobby Burn is against the Bill, and that Lochiel and Browns are in favour of the Shipping Board, but are against the Bill. I ask you, what reliance can be placed on the factories that you have in your list if this is one instance where the list is wrong? If that is so, how many more can there be?—I can produce telegrams to cover the whole of the list submitted to the Committee.

32. In view of the telegram I have just referred to, do you not think that that is an indication the list is not reliable?—I do not accept your statement that it is unreliable.

33. Do not let me misunderstand you. If you have not received an indication that these people are in favour of it, is it not an indication that they are themselves unsettled about the business? I am not suggesting for one moment that this list has been faked, but I ask you, Mr. Grounds, is it not an indication of how unreliable these statements are that we are getting? Were you present the other day when Mr. Hawken put in a list from one factory stating that it was in favour of it, and immediately afterwards I had to put in a telegram from the same factory showing that it was opposed to the Bill?—A good deal of confusion has been in evidence as a consequence of the propaganda that has been carried out.

34. To my mind, the whole thing is an indication that the figures which have been submitted to the Committee both for and against the Bill are not very reliable?—I do not admit that at all.

35. In view of the information which I have given this morning, is that not an indication that the figures are not reliable?—I am not in a position to analyse the telegram you have referred to, but I submit that the figures that we have handed in this morning are based on the information that we have.

36. You stand by the submission that one-third of the output is opposed to the Bill?—That is obvious.

37. In the speeches that you have made throughout New Zealand I think you made the statement that you have offers from the shipping companies to carry the produce at a favourable rate from New Zealand: is that not a fact?—We discussed matters with the shipping companies.

38. Have you had an offer from them?—They intimated that they would be prepared to establish a satisfactory line at a price not exceeding the present rate.

39. As a matter of fact, was it really an offer or did they ask for an option?—They would require an option for a fortnight.

40. They never made an offer?—As a matter of fact, they have since cabled to know how matters are proceeding, as they are prepared to send a man to further discuss the position if possible.

41. My point is this: the statement was made that you had received an offer from the shipping companies, and I want to know did they make an offer?—We have discussed these matters with several shipping companies because we recognized that to go against the present companies without being able to show some alternative course would lead to nowhere.

42. Let me ask you this straight-out: did you have an offer to support a certain shipping company, or had you a recognized option over shipping companies to carry dairy-produce?—It was indicated to us that we could get an offer for the shipment of the dairy-produce.

43. Did you make a request for an option?—Yes.

44. In regard to the question of finance, you made the statement that the banking association had said that there would be no difficulty about finance so far as the banking association was concerned: have you anything from the banking association to that effect?—That was the opinion expressed by the Chairman of the Associated Banks.

45. Have you anything definite in writing to that effect?—No; I did not ask him for anything definite in writing.

46. In discussing the position this morning you stated that some of the small factories had paid out large amounts because they were under a minimum of expense. There is the New Zealand Co-operative Association and the Waikato business where they have got the working-cost down to a fine art, and you stated that that factory is paying out less than the small factories?—What I said was that a mere analysis of the balance-sheet may lead one far astray. Not being familiar with the position of those factories any conclusions may be erroneous, and, moreover, it is quite beside the point.

47. Mr. Goodfellow said that they had a distinct advantage over small companies inasmuch as they had representatives in various countries—in the United Kingdom, the United States, and elsewhere—for the purpose of selling their produce when they thought it was desirable, and he also made the statement that during the slump they had secured a man for all the other factories for the sale of their produce in London. In view of that fact, how do you account for the fact that we received a greater amount of produce during the slump if the total payment to the suppliers is much less than to the other suppliers in New Zealand?—From a marketing point of view the whole point is not material at all. The whole point that I have gathered from your observations with respect to the Waikato Company is this: that the company by its size has an agent in the East to make inquiries as to the possible developments of markets which the ordinary small companies cannot do, and which we think should be done on behalf of the whole industry rather than for separate factories; but in a question of manufacturing, the charges do not come into the question at all. As I said before, the mere examination of balance-sheets may lead to hopeless confusion, and, moreover, everything must be judged on the circumstances upon which the balance-sheets are produced.

48. Now, with reference to advances. You stated this morning that it was a dangerous thing to advance 100 per cent., and that it was on account of the collapse of the market that some factories received 100 per cent. Now, we have had the evidence of Mr. Hine here, who stated that his factory had received 100 per cent. How can you account for that being caused by the collapse of the market when that factory paid out 1s. 8½d. against Mr. Goodfellow's 1s. 6d., with all the reductions to come off?—It simply cannot be 1s. 8½d. That is simply an impossibility. I did not understand him to say that. Their balance-sheet even now has not been published. From information that I have secured it is probable that 3d. of that 1s. 8½d. is the result of their making casein, which is an absolutely different thing.

49. Now, you will admit, Mr. Grounds, as far as Taranaki is concerned, that the promoters of the Bill have worked most ardently in Taranaki in favour of the Bill. Mr. Goodfellow, Mr. Corrigan, Mr. Brash, yourself, and others have been up there working for all you are worth?—I do not say that at all.

50. How many meetings have you addressed up there, Mr. Grounds?—I have addressed two meetings in the course of the year.

51. And the whole case has been put strongly before the Taranaki farmers in favour of the Bill. Now, you are a pretty good man, and you have been up there twice, and the last meeting you addressed was at Stratford. What was the resolution carried at Stratford?—I do not know just exactly the text of it. But, as I have already explained, most of them were already prejudiced against the Bill by the previous meetings that had been held.

52. Well, the resolution carried was that the information placed before the meeting was not sufficient to warrant the meeting supporting the Dairy-produce Control Bill. That was rather a reflection upon you?—Oh, I do not know.

53. Still, that was the resolution carried, and that was after the position had been fully placed before the people in Taranaki by yourself and the other speakers in favour of the Bill. The point I wish to make is that there is strong opposition in Taranaki even after the position has been fully placed before them?—Some of the people in Taranaki are strongly prejudiced against the Bill.

54. Are you aware that out of the original committee set up in Taranaki in support of the Bill, three out of the six factories represented on that committee are now opposing the Bill?—I would not be surprised to know it.

55. Do you know it is a fact?—No, I do not know it is a fact.

56. Well, the original promoters of the Bill had a meeting in Hawera, and Hawera, Kaupokonui, Eltham, Riverdale, Normanby, and Jolls were represented?—What is the Bill you are referring to?

57. This Bill. Would you be surprised to know that Kaupokonui, Normanby, and Jolls are now opposed to the Bill?—I understand that some of those factories are not opposed to the Bill. Kaupokonui is not opposed to the Bill.

58. A telegram has been sent to me that they are opposed to the Bill?—There are a number of other factories in Taranaki opposing the Bill more or less on technical grounds.

59. Now, in view of this position, do you not think it would be wise to give the farmers an opportunity of voting on this very important matter?—I think there is no doubt about the farmers supporting the Bill.

60. Have you any objection to giving them an opportunity of voting upon it?—And throw the Bill back for another year.

61. But you cannot put the Bill into operation this year?—No; but we can get our information. Nothing can be done until we get our information.

62. Do you not think that the men who are directly interested—the men who make the butterfat and sell the butterfat—should have a real say in the position?—Yes. It is because we have a strong regard for their interests that we are urging that the Bill should be passed.

63. Do you not think, as a democratic principle, when you are going to interfere with a man's income that he should at least have an opportunity of saying whether you shall interfere with his income or not?—We think that they have indicated quite plainly enough that there is a very large majority in favour of the Bill.

64. Now, in connection with the shipping contracts, it has been shown in evidence that difficulties would arise in case of the Board wishing to transfer shipments to other countries. Now, what is the idea in your mind in regard to a contract that could be made with the shipping companies?—If the Board were responsible as under the Bill, immediately negotiations were opened for sales other than had been provided for in the shipping commitments they would be considering the contingent liabilities connected with their contract. They would have to provide alternative freightages. Under the alternative proposal to control shipping only if there was a change of destination of produce—say, to the East—they would have no knowledge of any such arrangement until the last minute. It will be seen how it would disorganize the position as against if it was controlled by one Board.

65. Would it not be possible to have a Board of producers set up to make arrangements in connection with the shipping?—But there is the marketing question.

66. I am not going into the question of marketing. I am referring to the making of a contract with the shipping companies?—You would have disorganization. We maintain that we should have a Board to control the whole thing the whole time. If your factories retain their power to make their own marketing arrangements they would only notify the transference just when it was actually going to take place, and as a consequence great disorganization would accrue.

67. I have here a circular containing suggestions made by the Dairy-farmers' Union to be put into the Bill: have you seen these suggestions?—Yes.

68. They are opposed to the system of electing the Producers Board. That is their first objection?—Yes.

69. Do you approve of the system that is suggested—election by the farmers?—We think that the other would be by far the best way in the interests of the industry. The average farmer hands his business affairs over to the directors of his company, and consequently we say that the best way is to elect your Council with your factory as the unit, rather than the individual supplier.

70. They object to the amount of the levy. Do you think the levy should be reduced?—I do not think that any more money is likely to be used than is really necessary.

71. Do you think that you will require all the levy?—No, I do not think we shall.

72. Have you any objection to it being reduced by the Committee?—It is the maximum, and I do not think it is wise to have too many hampering restrictions.

73. It is suggested that the reserve fund should be deleted altogether: do you favour the abolition of the reserve fund?—No, I do not think that would be a good plan. To my mind, it is only a sound provision that reserves should be set aside if it is felt that it is desirable to do so. In saying that, I have no idea of setting aside huge reserves for problematical purposes. It is just a question of ordinary business safety. Farmers' institutions have been in difficulties rather too much of late because they have not provided these reserves.

74. You have a decided objection to the amendment made by the last Committee restricting the use of these reserves in certain directions. You want no restriction placed at all on the reserves?—I think the restriction they put in those three clauses made it ridiculous, simply because we did not want reserves for those three particular clauses.

75. At the present time there is no restriction on the reserves under this Bill?—That is so.

76. You want no restrictions?—We want the reserves as stipulated in the Bill.

77. Without restrictions?—Yes.

78. With respect to the shipping contract, do you favour the Dairy-produce Control Board working in combination with the Meat Control Board, and the Meat Control Board having the last say, as provided in this Bill?—We submit that they have not the last say. The two Boards work together.

79. The Bill says clearly that they have the last say.

80. You have put your name to this circular, in which you say that in subclause (1) of clause 13 of the Bill all the words should be deleted after the word "provided." That would have the effect of deleting that subclause altogether. Do you still favour that?—We quite accept the position in the Bill providing for the two Boards to work together. We only made that suggestion because some of our critics have been maintaining that the Dairy Control Board was in a position of subservience.

81. Well, you have changed your mind on that point?—No.

82. You still desire that that clause shall be deleted from the Bill?—No. We asked that it should be deleted from the Bill in order to meet the objection raised by our critics.

83. You only wished to delete the clause in the hope that it would gain more supporters for the Bill?—We thought it would be better understood. We were only anxious that what was implied should be understood.

84. Then, you do not stand by this circular of the 27th April?—We are asking for the Bill as it is before this Committee at the present time.

85. And you have gone back on this suggestion made to the farmers that this subclause should be deleted?—Yes. We asked that it should be deleted because a misunderstanding had been created throughout the country by reason of its existence there. There was no justification for that misunderstanding.

86. The Bill says, "The Board under this Act shall not, while such resolution remains in force, have authority to enter into any contract for the sea carriage of dairy-produce, save in accordance with an arrangement to be made with the Meat Producers Board." It is not possible for the Dairy Control Board to make a contract without first having the permission of the Meat Control Board?—The clause in the Bill bearing upon the point is to the effect that if the Meat Board pass a resolution that they will not enter into any contract for the sea carriage of produce save in conjunction with the Dairy Control Board the Dairy Control Board cannot then enter into any contract.

87. That is the point. They cannot make a contract without the other Board?—We do not wish to do so. We think it is in the best interests of the country that the two Boards should work together. We recognize that there are other things to be considered besides the interests of the dairy industry.

88. I find it difficult to understand why you asked for the deletion of that clause. You knew the position then as you know it now. Why did you ask for the deletion of the clause?—It was asked for because of the representations of critics from the companies that the Board had been made subservient to the Meat Board, which we are now satisfied is not the case.

89. The Bill is just the same Bill as it was before. Was it not a question of sinking principle for expediency?—No. There was no question of sinking principle at all. It has just been a question of meeting what some of us thought was an obvious misunderstanding.

90. In the hope of gaining support?—We thought it would be better understood.

91. *Mr. Langston.*] With reference to the Prime Minister's statement at Stratford, I suppose that all public men, when speaking about people doing a certain thing, refer to the majority?—Certainly. You could not expect everybody to be unanimous.

92. In regard to the position in Taranaki, I have a copy of a speech delivered by Mr. Maxwell, which I presume was circulated all through Taranaki, and there is a lot of references in it to a revolutionary and communistic attitude, and that sort of thing: is that the reason that a lot of the farmers in Taranaki are opposing the Bill?—It is hard to account for what has transpired in Taranaki. We have no revolutionary intentions at all. We are all of one mind on the matter that no change is to take place until the position has been carefully analysed in connection with the interests of the whole industry.

93. We often find in public affairs—take the rating on capital values and unimproved values, for instance—that there is provision that if the majority is in favour it shall be compulsory by law. If that law, of course, was not there the whole thing would end in disaster?—Exactly.

94. And this compulsory clause is something on all-fours with that?—Yes.

95. With reference to the reserve funds. Of course, most commercial undertakings have found it necessary to have some reserve funds, and it is considered to be a very wise provision to make?—I think it is distinctly wise that the Board should have the power to make reserves if it is found necessary to do so.

96. With regard to the election of the Board, if it came to the point you would not oppose the farmers voting for their representatives on the Board?—Oh, no; but I would still think that it would not be the best principle.

97. *Mr. Forbes.*] Arising out of this list, Mr. Grounds, which you have submitted to the Committee showing the factories in favour of the Bill. You have the Kaikoura Factory and the Hapuku Factory down on this list as being in favour of the Bill. Well, I have a letter from those factories leaving it entirely to my judgment whether to favour or oppose the Bill. The secretary has written to me stating that the Dairy-produce Control Bill has been placed before their directors, and that they have decided to leave it entirely to my discretion. What do you think of that?—(No answer.)

Mr. Brash: He has also sent a telegram to me saying that these factories support the Bill.

98. *The Chairman.*] I want to get your opinion, Mr. Grounds, about the proprietary factories. Do you find that practically all the proprietary factories are against the Bill?—Yes.

99. What idea have you formed as to the Tooley Street merchants being against the Bill?—We have had a cablegram from them this week. Some twelve of them have agreed to form themselves into an association to work in active co-operation with the New Zealand Control Board in developing the industry; and, moreover, from my conversation with Sir Thomas Clements, I am sure that they recognize the need for combination on the part of the New Zealand producers to secure the best results. They recognize the value of the movement.

100. How many did you say?—Twelve of them, and there are a few others besides, if that list stands for anything.

101. Do you find that the agents are working against the Bill?—Yes. Their interests all the time are against the Bill.

102. Do you think that these agents have had any considerable influence with the factories?—They have had considerable influence in some quarters unquestionably. I think that they have been largely responsible for the opposition.

103. Especially in Taranaki?—Yes, very especially in Taranaki.

104. You are of the clear opinion that these agents are opposing the Bill in spite of the fact that some of their principals are in favour of it, and that they are influencing the factories to oppose the Bill?—That is so.

105. I will put it this way: If it were not for the influence of the proprietary factories, and the influence of these agents, there would not be any considerable opposition to the Bill?—That is so. There would be practically no opposition to the Bill.

106. Do not these agents have a good deal of influence, especially with the smaller factories?—I think so.

107. With respect to those factories who have considered the Bill apart from that influence, do you think that they are practically in favour of the Bill?—Almost entirely so.

108. Do you think that the Bill will seriously affect the livelihood of those agents?—It might affect the interests of some of them, but for those who are honestly serving the industry there is no reason that they should expect that they will be put out. It is a question of service. They must legitimately serve the industry.

109. Is it not a fact that some of these agents receive very large salaries?—Yes, quite substantial sums.

110. About what do you think they receive?—Well, before this control question was raised several of them said that they got 1 per cent. of the 2½ per cent. that we pay on the consignments. Since this controversy has been going on, however, they have said that they only get ½ per cent. But that ½ per cent. is a very considerable item, and, as I have stated, they said that they were getting 1 per cent. before the Bill was brought forward.

111. What would ½ per cent. on the New Zealand output amount to?—Well, ½ per cent. on £16,000,000 is £80,000.

112. What is the largest amount shipped to any particular merchant in Tooley Street?—I do not know exactly what is dealt with by each merchant, even if it is worked out on ½-per-cent. basis throughout the country.

113. How many of these agents are there operating in New Zealand?—I do not know because there are what may be termed subsidiary agents, and we have in New Zealand secretaries of dairy factories amongst the subsidiary agents, and are connected with the matter in some way.

114. *Hon. Mr. Nosworthy.*] I take it, Mr. Grounds, that you are satisfied as a consequence of your having travelled round the country and having had a full opportunity of judging the position for yourself that you are aware of the number who are in favour of the Bill and will accept it without any alterations?—Yes.

115. Independent of any criticism that may be levelled outside or inside they are satisfied with the Bill?—A very large majority in the industry is in favour of it.

116. You are aware of the fact that there has been a great deal of latitude allowed to discuss the question before the special Committee set up last Parliament and before this one, and that there has been a great deal of evidence given by those interested in the matter in the Dominion, and also by London representatives?—That is so.

117. No Bill has ever had the analysis that this one has had?—That is so.

118. The Meat Control Bill which was passed and is in operation at the present time did not have the analysis that this Bill has had?—That is so.

119. You think that it will be in the interests of the whole industry to have two organizations to work in conjunction with each other to consider the position with respect to the carriage of dairy-produce and meat?—That is so.

120. You are satisfied, Mr. Grounds, that both inside and outside there is no further evidence necessary, and that the majority of the farmers supporting this Bill will be quite satisfied what the verdict of the House will be?—I am quite satisfied of that.

121. With regard to the statement made by the Prime Minister at Stratford it can only be interpreted in this way: that it was what the majority of the country desired?—That is so.

122. I cannot interpret it in any other way, and no other interpretation can be implied than that the majority are in favour of it?—We think so.

123. That is the only sound construction that can be placed upon the remarks?—That is so.

124. *Mr. Field.*] You have been addressing meetings throughout the country, have you not?—Yes.

125. Why did you not meet with better success in North Taranaki?—Unfortunately, I did not go to the first meeting in Taranaki. I may say that I asked if I could go, and I was told that it was not necessary and that they could carry on there all right as there were five of them, and as a result I did not go.

126. I understood that you went to Stratford twice?—No, once. I had been to New Plymouth the previous year—that is, when the Bill was before the House last year, and it was then that the resolution was passed referring the matter back to the factories. That was the meeting at Stratford. When I went there the representatives had already been committed—that is to say, they had received their instructions how to vote. Half a dozen of the representatives said they were satisfied when they knew what was the position, but their hands were tied, and the same thing applied at Palmerston North, and they did not agree with their instructions after they heard the full explanation of the position. I feel convinced myself that wherever the matter has been fully and frankly explained to the suppliers they are agreed with what is contained in the Bill.

127. You think that this organization which you suggest in support of the dairy industry could apply to other industries?—That is a question they would have to determine for themselves; but every one must see that in the organization of this industry you have to apply brains to it. If you put produce on the market without intelligent control in the interests of those for whom you are acting, then you will be more or less at the mercy of the marketing-conditions. That fact is being forced upon us from every point of view at the present time.

128. *Hon. Mr. Nosworthy.*] You are aware from what has taken place at this Committee and outside of it that there is opposition to the Bill?—We understand that that is so.

129. Assuming that the Bill was defeated and did not become law, do you think there would be a greater outcry from the producers throughout the Dominion as a consequence of not having the pool than is the case from the proprietary interests that are opposing it?—I may say that people are lying low at the present time. I have no doubt as to the volume of feeling.

130. If the Bill is not passed?—That is so. We recognize that a great deal of time must be taken up in connection with the necessary inquiries that will have to be made before really anything can be done.

131. You think that the proprietary interests' protest in opposition to the Bill will be as nothing to the protest of the producers if the Bill is not passed?—Yes. I think, however, that once the Bill is passed it will be in the interests of all the producers, and I do not anticipate there will be any friction when the Bill is passed.

132. With regard to the question of a reserve fund, you are satisfied that it is only reasonable to have a reserve fund in connection with the industry, and that it is only reasonable to have reserves provided in the Bill?—We think it is necessary to have the power to do so, that we may not be prevented from taking a sound course.

133. *Mr. Masters.*] Do you know how many Waipu factories there are in the Auckland District?—One.

134. There are two shown in the list which you have submitted?—It would appear to me as if there is a duplication. Mr. Brash probably can explain the position.

Mr. Brash: It seems as if a duplication has taken place.

(See Appendix at end.)

TUESDAY, 7TH AUGUST, 1923.

Mr. J. R. CORRIGAN, M.P., continuation of examination. (No. 26.)

1. *The Chairman.*] The Committee has met this morning, Mr. Corrigan, to hear the continuation of your evidence?—Yes, Mr. Chairman. I will be as brief as I possibly can. I think when the Committee adjourned on Wednesday last I had just got up to what happened to us last April twelve-months in Taranaki. Now at that time butter had got down to a very low ebb, and then the merchants started purchasing the butter. As far as my memory serves me it had got down to about as low as 1s. 1d. per pound, and they started to purchase at 1s. 2½d. per pound. Well, they purchased practically the whole of the fresh butter made from April to end of September, and they finished up by giving 1s. 8½d. per pound for it. They went up from 1s. 2½d. to 1s. 8½d. per pound. And that butter all went away side by side. That butter which was bought at 1s. 8½d. per pound went away side by side with the butter which was bought at 1s. 2½d. per pound. It all went to the same grading-works, it went through the same grading, and it was all shipped together. Now, our contention is this: that if one lot was worth 1s. 8½d. per pound, then the whole of it was worth 1s. 8½d. per pound. Now, it was practically one firm that bought the whole lot. The agents purchased the butter, but it was ultimately transferred to that one firm. Now, I estimate that that firm cleared about £70,000 out of those shipments of butter. Well, that was during the four slack months of the season. That was only about one-seventh of the yearly production of Taranaki. I presume if the same thing had happened over the whole of the year the exporters would have made about £490,000—nearly half a million of money. And that was in Taranaki alone. That is one of the reasons why we want this Dairy Control Bill—to save ourselves from ourselves. The producers at present send their produce through too many different channels, and we feel that if we could get the Dairy-produce Control Bill into operation it would have the effect of making the produce all go through the one channel, and prevent one portion from being used to hammer the other portion with. We do not wish to inflate values. It is not the intention of the Dairy Council to inflate values. All we want is to stabilize market prices, and get what the produce is really worth. Now, I will tell you what happened in 1920-21 at the finish of the Government commandeering. At the finish of the Government commandeering I was one of the Committee which was called together here in Wellington. There were 32,000 tons of butter that the Imperial Supplies had at Home. There were 20,000 tons of Australian butter and 12,000 tons of New Zealand butter. This butter had cost the Imperial authorities 2s. 6d. per pound. Butter had then been forced down from about 18s. per hundredweight to about 10s. per hundredweight. The merchants at Home knew that all this Government butter was coming on the market. The Imperial Supplies Control Board at Home wanted to clean up the commandeering business: they wanted to get rid of it. The best offer that they could get from the merchants at Home for that butter was 9s. per hundredweight. Well, they knew that that was going to disorganize the whole of the dairy-produce position on the market at Home, and they cabled out the position to us here. We had a meeting here in Wellington, and we decided that the New Zealand producers would purchase the balance of the New Zealand butter at Home, 12,000 tons, and Australia agreed to purchase her 20,000 tons. We waited upon the Prime Minister here, and he gave us the assurance that the Government would stand behind us for finance; and the Australian Government did the same for their share. Well, we had this butter under offer till the Friday at 10s. per hundredweight, and we completed the arrangements for purchasing it on the Wednesday

but when we cabled Home there was not an ounce of it left: the merchants had purchased all of it. They got information of what was going on here with the producers, and they stepped in and purchased that butter at from 112s. to 115s. per hundredweight. That was from 22s. to 25s. per hundredweight more than what they were prepared to give until we stepped in to try to save ourselves. While that butter was being purchased at 115s. there was another firm operating here, and they purchased—I do not mind telling you who the man was, because he told me himself—it was Sir Thomas Clements—they purchased the fresh butter. He told me himself at Hawera that they did not purchase any of the Government butter. He said, “I did not buy any of the Government butter. I did not buy any of the stale butter; I bought the fresh butter, and a big lot of it, and I made a tremendous lot of money out of it.” Those were Sir Thomas Clements’s remarks to me in Hawera. They knew that the stored butter had forced down the price of the fresh butter—or, rather, I should say the stored butter had been used to bring down the price. They used that stored butter to force down the market. As soon as they got the New Zealand supplies bought that butter went up to 150s. per hundredweight, and finished up at 185s. per hundredweight within a month. These violent fluctuations in the market at Home we know are not in the best interests of the producers here, and they are not in the best interests of the consumers. We want a fair marketable price for our produce, and we want the consumers, on the other hand, to get it at a reasonable price. That is one of the reasons why we want this Dairy-produce Control Bill more than anything else. Now, a lot has been said about finance. But that is only a bogey—an absolute bogey—put out by the opponents of the scheme to frighten people. Unless you have the goods you cannot get the finance; if you have the goods you can get the finance. I have been this year the chairman of the Hawera Dairy Company, and we have often been “up against it” if we could not get our shipments away. We have had to trade on store-warrants until we got the bills of lading to draw on letters of credit. I have then had to make the financial arrangements to get my supply of money to pay the suppliers every month. This year it has been as much as £68,000 that I have borrowed on store-warrants from the bank. I have produced the bill of lading, drawn on the letter-of-credit, debited the letter-of-credit account, and credited the store-warrant account. The finance business is just as simple as ABC. We need not be frightened about finance. The Control Board can be worked in several different ways. I say we are going to use the present channels of distribution. Those channels of distribution are mainly about twelve of the largest merchants in Tooley Street. If they set up letters of credit to the Board here in New Zealand, that Board in turn will set up letters of credit to each individual factory, and the finance will be worked in exactly the same way as it is at the present moment. You see the whole thing comes back to the Board here, and the Board in turn distributes to each individual factory. The bogey that has been brought forward that we are going to spoil the sale of our produce and disturb everything is all wrong, because the Dairy Council is not out in any way to antagonize the industry at all, but to assist it. What we want to do is this: the several firms at Home that have been handling our butter and cheese for years will still get it through the Dairy Control Board if they ask the Control Board here to let them have it. But the subsidiary Board we will have at Home will see that the butter and cheese is handled properly, and not played “ducks and drakes” with. At the present moment we are in this position: Up to the ship’s side we have nothing to learn from any one, but immediately the stuff is put on board, that is the end of it so far as our control is concerned. We simply have to say, “There you are—good luck to you!” and we have to be satisfied with the return we get back. We have nobody to look after that produce at the other end. I have looked at this question from every angle. The whole of my financial position depends upon dairying. I cannot for the life of me see where it is going to do the industry any harm in any shape or form. If it cannot do the industry any good it cannot possibly do it any harm. But we suggest that without compulsion it is not worth anything, because I have tried so often to organize different things for the dairy industry, and it is very difficult to get them to agree upon anything. Some pull one way and some another. It is just the same now with this Bill. If the producers understood their business there should not be one dissentient. They should be *en bloc* for it. This is a step in the right direction in the interest of one of our main industries. But the agents get round and talk to them, and show them their little bogeys, and they simply say “I am not going to take this, I am going to fight against it.” And if a farmer starts to fight he will very often fight against his own interest, and if he thinks he is right, he will fight to the bitter end. Here they are fighting against their own interests. If I thought the thing was wrong and against the interests of the industry I would be one of the keenest fighters that there possibly could be against it. But I know that it is the opposite. Here is a letter which I would like to put in, Mr. Chairman, that I have received from one of the agents here. Sir Thomas Clements, when he came out here to New Zealand, said they wanted to assist us. He said, “We want to assist you.” He said, “We know that you want control”—that was control of the shipping and of other things in connection with the industry. But he cut out the marketing. Well, of course, a man does not want to be very clever to see why he wanted the marketing clause cut out. We are not going to interfere with the marketing as long as it is done to our satisfaction. But we want control. Well, he went Home, and he has had a meeting of Tooley Street merchants, and this is what I have got from one of the agents here:—

J. R. Corrigan, Esq., M.P., Chairman of Directors, Hawera Co-operative Dairy Company, Limited, Hawera.

DEAR SIR,—

Re *Dairy Control Bill*.—The following is a copy of cable received from my principals, dated London, 28th June:—New Zealand importers to-day formed an association and sent cable to Dairy Council advising formation and willingness to co-operate provided they do not interfere with present position trade channels.—Yours faithfully.

Well, we have never advocated not using the present channels of distribution, for the simple reason that we knew it was almost impossible to do so. Any man who has been at Home and has seen the

vested interests in Tooley Street, knows that it would be like trying to knock this building down with your head. But what we want to do is to make use of them, and they are quite willing to work with us, and you can quite understand that if the produce is sent to them, and they are not willing to do their best regarding the marketing—if they do not market it properly—then they will not have a proportion of our business the following year. We just want to control our own business. There is another thing I would like to mention. There has been a tremendous lot said by the opponents of the Bill about the voting of the dairy factories. The fairest way to consider that, gentlemen, is to consider it on a tonnage basis, because, after all, money speaks all round. And on a tonnage basis I will endeavour to give you the figures as near as I possibly can. I have had the figures taken out. I will give you the number of factories for and against; the tonnage for and against; and the percentage for and against on a butterfat basis. Well, a vote was taken at Hamilton on the 30th May, 1923, and seventeen factories voted for control and seven against. The tonnage of butter manufactured by the factories was—for control 23,321 tons, and 1,168 against. The tonnage of cheese was, for control 5,975 tons, and 310 against. On the basis of butterfat the tonnage was 25,711 for and 1,292 against. On a butterfat basis 95½ per cent. voted for the Bill and only 4¾ per cent. against it. That was at Hamilton. Hamilton represents the south of Auckland and the Waikato. I will now take the North Auckland conference, which was held on the 28th May, 1923. The number of factories that voted there for control was fifteen. They manufactured 5,582 tons of butter. Against the control there were three factories, who manufactured 1,252. The percentage in favour of the Bill on a butterfat basis was 81¾, and only 18¼ against. The North of Auckland Conference comprised all the factories north of Auckland, and only three were not represented at the Conference. The total output of those absent companies was only 313 tons of butter and 450 tons of cheese. In Dunedin, at the Annual Conference there in June, there were eighty-nine votes for control and thirty-eight votes against. There are 124 dairy factories in the South Island Dairy Association, and of these eighty-six were present at the Conference. Some of these factories had two votes and some only one vote, and a secret ballot was taken, so we were not able to tell what the tonnage was: so that in regard to Dunedin the tonnage is not available. At Palmerston North a Conference was held on the 20th June, 1923. The number of factories that favoured control were 105, representing 38,457 tons of butter and 23,443 tons of cheese—on a basis of butterfat, 47,834 tons. Against control there fifty-two factories, representing 10,013 tons of butter and 10,532 tons of cheese, or a total of 14,224 tons of butterfat. On a butterfat basis 77½ per cent. voted for the Bill and 22½ per cent. voted against it. The Conference at Palmerston North was largely made up of delegates from Taranaki, Wellington, and Hawke's Bay. There is over 75 per cent. of the factories throughout New Zealand in favour of the Bill from a tonnage-basis point of view. I have here also a few other figures I would like to quote, because they are interesting. I have these figures for the Auckland Province, but they have not been compiled for the other separate provinces of New Zealand. I am quoting these figures just to show you the importance of the dairy industry. The output for the Auckland Province is 35,175 tons of butter and 9,053 tons of cheese. The output for the whole of New Zealand is 67,157 tons of butter and 60,066 tons of cheese. The Auckland Province produced last year £7,000,000 worth of dairy-produce, while the whole of the Dominion produced about £18,000,000. So that you can see the Auckland Province practically produces nearly half the dairy-produce of New Zealand. A big song has been made about Taranaki, as though it was the main province in New Zealand as far as dairy-produce is concerned. At one period it was the main province, but it has gone back long ago compared with Auckland and the Waikato. Auckland and the Waikato have run right away from them. They have now to take a back seat so far as the production of dairy-produce of New Zealand is concerned. The New Zealand Dairy Company in the Waikato produced 22,020 tons of butter and 3,478 tons of cheese. The dairy factories in the Auckland Province paid the following charges: Railway freights, over £125,000; cartage to contractors, £75,000; waterside workers got £20,000; freezing and storage, £80,000; wharfage dues, £4,000; coastal and ocean freights, £350,000; and supplies used in manufacture, £550,000. That is what the dairy factories in the Auckland Province paid last year. You can see that, with an industry like that, when they are in favour of the Bill they are entitled to consideration. These men have given a great deal of their time to this matter in one way and another, and they know what is necessary. There is not one of the opponents of the Bill who has given evidence who can show any valid reason why the Bill should not be given effect to. It is all surmise upon their part. They surmise that this Control Board may upset the whole of the dairy industry. We realize that whoever is placed on the Control Board will not be men who are going to upset the whole of the dairy industry in that way. There was a lot of talk about how they objected to the election of the Dairy Council, and it was asserted that it was the National Dairy Association over again. I would just like to point out how the Dairy Council was elected. I think it is only right that you should know, so that you can disabuse your minds about a lot of the evidence that you have heard about the National Dairy Association. I think you have heard here that the National Dairy Association is running the Dairy Council. There was a conference of the whole of the dairy producers of New Zealand—of factories—and they were asked to send along accredited representatives to the conference. When we agreed to form this Council the whole of the Taranaki delegates were cut off, and they in turn selected the quota for Taranaki on the Dairy Council. North Auckland did the same, South Auckland did the same, Wellington and Manawatu did the same, Wairarapa and Hawke's Bay did the same. And it was the same with the South Island delegates from Canterbury, Otago, and Southland. You could not have a fairer way of electing the Council than that. We left it to each province. It so happened that Taranaki was entitled on an output basis to five representatives on that Council, and it so happened that three of the representatives that were chosen on the Dairy Council happened to be directors of the National Dairy Association, but that could not be helped. I am quite certain of this: that Mr. Ranford, who is chairman of the Stratford Dairy Company, who was up for

election on that Council, had he been successful would have been piloting this Bill as hard as any other man, but because he did not get elected to the Council he was disappointed. I have a knack of analysing these things out for myself. In connection with a certain dairy factory, which is a very large factory, I may say that that factory is in favour of control. Every supplier and every director is in favour of it, but they cannot show their hand because they owe a certain firm about £22,000, and that firm has a grip on them. That firm has been handling their produce for years, and I was told as late as Saturday last that if they could get somebody to put up the money for them they would have a change in their agents—

2. *Mr. Langstone.*] They have overdrawn to that amount?—Yes. They are indebted to the firm they send their produce to to the extent of £22,000. I do not know of anything else that you want to know. I am here honestly to do the best for the industry, and I would like any of the members of the Committee to ask any questions they desire, because these things want to be threshed out.

3. *Hon. Mr. Nosworthy.*] First of all, what do you think the position would be from this point of view—you know there is a certain amount of active opposition against the Bill to-day?—Yes, there is.

4. Now, what would be the position if the Bill is not passed?—It would be the worst calamity that has ever come over the whole of the industry in New Zealand.

5. Will there be an outcry if the Bill is not passed?—Of course there will be. I honestly believe that 90 per cent. of the men who milk cows want this Bill. Take my own factory for instance. It has been said by one man giving evidence before this Committee that the Hawera Dairy Factory did not have a meeting of its suppliers. I would like to tell you this: that during the last four months I had to call the whole of our suppliers together for altering the articles of association and for the purpose of confirming them, and at both meetings which were held I put this proposition to the suppliers, and they were unanimous about it. Then, the other day at the annual meeting I put it before them again—that is, 150 suppliers—and they were unanimously in favour of it.

6. *Mr. Field.*] What date was that?—On the 27th July last.

7. *Mr. Forbes.*] You said there was a good deal of money made over the purchase of butter last year?—Yes.

8. You said that some butter was bought at 1s. 2½d. and some at 1s. 8½d.: did not that depend upon the value of the butter local market price?—No. We depend upon the London price. The London price is really the parity. The local market is controlled practically by that.

9. Who are the speculators? Are they the Tooley Street people?—Well, there are brokers there. It was really the brokers who bought that butter. Last year in Taranaki there were four different people buying. But I found out after all those sales were made that the produce was all transferred to the one firm. The whole of that butter bought in South Taranaki last year went to the one firm at Home. You can get a certain insight in these matters up to a certain point, but after that they only let you know what suits them.

10. You say you have no intention of disturbing the present system of distribution?—We never had any intention of disturbing the present channels of distribution, because we knew very well that we would be up against a stone wall. What we want to do is this: we want to be the dog wagging the tail. The tail at the present moment is wagging the dog.

11. You don't want to cut the tail off altogether?—No. To make it grow, a straight tail.

12. How are you going to get over the speculation difficulties? How are you going to stop the speculators?—Well, we realize that our butter is worth all that the consumers at Home can afford to pay for it. If the consumers at Home can afford to pay 2s. for it, then we ought to get at least 1s. 8d. or 1s. 9d. f.o.b. here. Sometimes when the price at Home is up to 2s. we now only get 1s. 1d. When we have the whole of the channels of distribution taking their quotas from the Control Board we will then have one working against the other in the interests of the industry. If, for instance, there are four agents or firms all working in connection with the produce, and one of them does not show such good returns as the others, then that agent or firm could not expect to get any of our produce next time. Therefore we could use one firm against the other to get what the produce is worth on the open market.

13. Then, you will make it impossible for people to buy butter here outside of a certain number of agents you appoint?—No. We do not intend to interfere with the local trade in New Zealand at all.

14. Under the system of distribution you would not allow outsiders to come in?—It could be done in this way: we would set up an Intelligence Board at Home, and that Board, I submit, should consist of three members. You would have to get the best men in the trade who live in London, and you can get good men provided you pay them sufficiently well. Then, the Board should consist of what is known as a cheese-broker and a butter-broker, and those three men would comprise the intelligence department. They would know all that was going on, and they would be able to advise the Dairy Control Board here as to the position in the Old Country. I may say that the men in the business at Home are the smartest business men in the world, because they are in a position to tell you how much cheese and butter is afloat and where it is going to. I may say that the efficiency of the intelligence department of a firm I have in mind was astounding to me, and we want the same thing for the Control Board here. Assuming for the moment that a certain factory was offered 1s. 8d. per pound, it would not be allowed to sell at that price without first referring the matter to the Control Board. Then if the intelligence department of the Dairy Control Board at Home advised the Board here to sell that would be the end of it and they would sell. As a matter of fact, something must be done to protect the producers, because they have been got at. I myself have been got at, and thousands of others have been got at, and we have been got at through the lack of an organization.

15. *Mr. Hawken.*] Lack of knowledge?—Yes.

16. *Mr. Field.*] You spoke about the conditions existing in England when you were there in 1912, and you said Mr. Goodfellow found the same conditions existing in 1921?—Yes.

17. Can you give the Committee information as to what those conditions were?—I have practically given that information in answer to Mr. Forbes.

18. That was what you were referring to?—We shipped our produce Home to H. A. Lane and Co., and when I was in England I went through their stores, and I also went through stores of several other firms, and every one of the men connected with those firms were thorough business men. The method used is that they buy a certain amount of our produce here, and they do so perhaps to bear down the market. They buy a tremendous amount of stuff at low rates, and immediately afterwards the price goes up again. Take this year, for instance: there was no man in the world who could have told you that cheese warranted being up to 150s., which it was at one period. They all knew what amount of produce was coming along, and they knew the demand, and they got it up to 150s. Some firms had bought a tremendous amount from New Zealand last season. When it is coming on at the Canadian season, which follows our season, down goes the price, and they got cheese down to 80s. until a few months ago. They have bought the Canadian cheese at about 82s. per cwt., and now the price is up to 112s. I may say that Hawera sold in the first week in July—not more than a month ago—two thousand crates of their cheese at 85s. To-day cheese is up to 112s., and they knew of every pound of cheese that was coming along.

19. They have got too much information for us here?—That is the whole position.

20. Do you think the shipping has been engineered in the interests of those people?—It looks to me as if it has. When any hold-up takes place they always use that as an excuse. I have an excuse-book at home that I have had for years, and it would amuse you. This time they attribute the rise of cheese because there is a strike at Home, but I notice they are still getting cheese out and getting rid of it. Now, referring to the year they used the produce held by the Government to bear down the price of butter, I desire to say that there were five butter-ships held up at the wharves at Home, and no one could tell us why, but when they got the butter right down as low as they could, that butter was handled and sold at 112s. and 115s.; but as soon as it was cleared as regards the factories, then up went the price to 150s., and from there up to 185s. That is how they engineer the business.

21. Do you think there is the possibility of one man or one set of men dictating with respect to the New Zealand produce?—It is not a question of one set of men dictating with respect to the conditions at all, because it is a question of the Control Board getting the intelligence from its department at Home as to what the market there is likely to require and putting the produce on to the market as fast as it can be absorbed.

22. You are speaking about the future, but I am speaking as to what happened in the past: do you think that one set of men have had more power than they ought to have had?—I am positively certain that they have had more power than they ought to have had, but it is a very hard thing to get absolute proof of it. I submit that the fluctuations that take place are not due to the law of supply and demand.

23. Your company is the Hawera Dairy Company, is it not?—Yes.

24. It has been suggested that that company was not by any means unanimous in supporting the Bill?—I understand the King's English, Mr. Field, and I give every one of our suppliers the same credit that they understand the King's English, and when I put before them the idea of the Dairy Control Bill I told them I wanted them to discuss the matter, which they did for a year, and at a meeting a motion was put to them with respect to the Bill, and they agreed unanimously—that is, 150 suppliers agreed to it.

25. Have you any idea of the incomes of these agents out here?—They get $\frac{1}{2}$ per cent.—that is, the subagents get $\frac{1}{2}$ per cent. Now, Sir, $\frac{1}{2}$ per cent. on the turnover of the Hawera Dairy Company would amount to a large sum, because the turnover of the company in question is practically a quarter of a million.

26. It would amount to a pretty big sum?—Yes.

27. *Mr. Langstone.*] About £1,200?—Yes. The Dominion agents get 1 per cent. Of course, they have to pay to their subagents $\frac{1}{2}$ per cent. I know of one man acting as a Dominion agent who is very desirous of getting the Bill turned down because he realizes what will happen to him. He is a very shrewd business man, and I estimate that his commission at the very lowest is £5,000 per annum. Of course, he has to pay $\frac{1}{2}$ per cent. to his subagents, but he sits down and receives £2,500 for doing nothing. As I said before, I estimate that that is the lowest he earns, and I would not be surprised to learn that it is £10,000.

28. And the dairy-farmer pays?—Yes, of course he pays.

29. With respect to the propaganda against the Bill, do you think that much money has been spent in that connection?—I know there is an export committee in Wellington, and it has got funds, and it has been fighting the Bill, and it is the same kind of propaganda that has been going on all over New Zealand, and I know that it is in collusion with certain men in Taranaki. I know that for a fact.

30. With respect to the supporting of the Bill has the expenditure been anything like that against the Bill?—I may say that I have not received anything for what I have done. As for Mr. Grounds he is a poor farmer in the North of Auckland, and he was the representative on the Dairy Council for that district. He has certainly had some of his expenses paid. Do you know that Mr. Grounds has put in four months out of the twelve months going round the country in the interests of the industry, and I know that he cannot really afford it. I, for one, will be only too willing to do something to recompense him for his trouble, but we could not pay him for the work he has done, because there is no fund in existence.

31. And there has been practically no literature distributed?—No. We tested the matter on its merits. We feel, however, that there is no valid reasons why this Bill should not go through. If there is any valid reason why it should not go through or is going to endanger the industry in any way we will drop it, but we have asked at the public meetings the question, "Let us discuss it. If it is not in the best interests of the dairy industry, show us why." They are all like Paddy: "agin the Government," and they give you no reasons.

32. The information we receive once a week relates to the price of produce in London: is that not a sufficient help to us?—There is an institution at Home called the Home and Foreign Produce Exchange which every broker and every merchant in Tooley Street will tell you they do not belong to. However, they meet every Friday morning and discuss prices, and they also put out these reports. As a matter of fact, the High Commissioner gets his report from there, and others get their reports from there. At any rate, that is what they did in 1912 when I was in England. The Home and Foreign Produce Exchange is just as you go over the London Bridge. When I was there I was having a cup of morning tea with a friend of mine in the locality of the Home and Foreign Exchange, and I said to him, "I hope you do not belong to that big place over there," pointing to the Home and Foreign Produce Exchange, and he said he did not belong to it. I then asked him the question how it was that his head broker was chairman of it, and when I said that, it paralysed him, so to speak, and he said that I knew too much for him. Of course, I was on a holiday, and I was able to find out quite a lot of things because I was not known.

33. You think, then, that the particulars cabled out from the Old Country are not sufficient for us to sell our produce here?—No. I maintain that the men who come here are not philanthropists, and they are not here to buy for the sake of the producers. They are out here on business for themselves, and to buy for themselves, and to make money for themselves, and I do not, under the conditions pertaining now, blame them for doing so. If I were out of a job to-morrow there are two things that I would go in for. I would either start a proprietary dairy company or be an agent for dairy-produce in Tooley Street.

34. They are two payable concerns. You spoke of being offered 1s. 2½d. for your butter, and you thought it was not wise to sell, and afterwards you got 1s. 5d.?—No; four days afterwards I got 1s. 4½d. from certain agents. I thought I was doing well, but on the following day another man got a higher price.

35. Have you ever had the reverse happen to you—that is to say, it has been suggested that you were once offered 11½d. for butter and eventually it was sold for 9d.?—No; that is the wrong end of the stick. At the annual meeting of the Hawera Dairy Company two years ago I received a cable from a certain firm offering us 11½d. for 2,000 tons of cheese. That offer stood good until 6 o'clock in the evening. I may say, sir, that I do not want to divulge the firm's name now. At any rate, at the annual meeting I put the offer before the suppliers and recommended them to take it, and it was turned down by three votes, over a hundred and fifty suppliers were present. We had been consistently dealing with Messrs. H. A. Lane and Co. for over ten years. This particular firm that made the offer I have already referred to had something in view, and I submit that it was a deliberate attempt to get into our business at any price. Supposing the market had gone down and they had bought 2,000 tons of cheese at 11½d., they could have beared down the price of cheese to 7½d., and they could have brought 6,000 tons at 7½d., and ultimately they would sell it at 9d., and consequently would have made a good profit. By marketing manipulation they can always do that. To the man who is not behind the scenes he would naturally think they were making a loss, but I know they are making a huge profit.

36. In connection with the intelligence agents that you spoke about, do you think we could get not only capable men, but honest men for this work?—I think we could get men just as honest in the industry in the Old Country as is the case in any other industry; but if you want the best men, you have to pay them salaries commensurate to what they are worth. I have no reason to think that the Board could not get hold of honest men to do its work, and who are as alert as other men in the business.

37. You think that if this Bill passes and the Board gets to work it could enforce fair dealings from Tooley Street and confine them to their legitimate business?—It is not a question of forcing them, but a question of confining them to their legitimate business. We will have to get over the question of speculation.

38. *Mr. Hawken.*] Referring to the question of the small dairy companies, to your knowledge do they ever send cables to find out how the butter is being sold in London?—What happens is this: We will assume, for the sake of argument, that Mr. Jones is the agent for a certain firm in Christchurch and you are the chairman of the dairy factory. Mr. Jones goes along and meets the directors—there may be twenty-five agents at the disposal meeting. Mr. Jones gets the output, and he takes up letters of credit and everything in connection with the business is fixed with the factory and Mr. Jones's firm in London, and they send us out every month for every shipment the account sales. In the meantime the factory has, of course, drawn against them on bills of lading.

39. When they get the returns how do they know they get the market value?—We have no means of checking it until we see the High Commissioner's cables. Of course, the High Commissioner's cables compare with those from the Home and Foreign Produce Exchange, because they give the information to the High Commissioner.

40. There are considerable variations to your knowledge even within a day or two?—Yes, and some of them will tell you that you were unlucky, because your produce was at the bottom of the hold, and consequently did not realize such good prices. They have all sorts of excuses ready to give you.

41. What has been the extent of the variations on the same day in London that you have known of?—In the same shipment?

42. Yes?—In one case this year that I am aware of in connection with a quantity of cheese one factory received 8s. more than another factory in the same shipment.

43. *Mr. Forbes.*] Was it the same grade?—Yes, and on the same boat. The excuse offered was that the market was going down and the produce on the top realized the high price, and the other was not sold until the market was falling; but I know when I was at Home myself how these shipments were sold.

44. *Mr. Hawken.*] Then, the ordinary factory has no knowledge whatever and can get no information as to whether or not it was treated well on the market?—The only people that can give you any information of that description—that is, anything like correct information—would be the New Zealand Dairy Association, because they felt they were not being treated well, and in consequence they appointed a Board for their own purposes two years ago. A Mr. Wright is in charge of that work. I do not want this Mr. Wright to be confused with the Mr. Wright of the Dairy Division. At any rate, he can advise the New Zealand Dairy Association as to what is going on, and very often they can beat us in the price obtained for butter and cheese, due to the fact that he is on the spot and is cognisant of what is going on.

45. *Mr. Forbes.*] Is not Mr. Ellison at Home?—Yes, but he is the representative of the National Dairy Association, and also acts for the Marketing Association. So far as Mr. Ellison is concerned he does not get right down at the bottom of the business, or, at any rate, he did not do so when I was there in 1912, and, moreover, I could get more information than he could. No doubt this was due to the fact that he was well known, and that I was a tourist, and no one knew who I was.

46. *Mr. Langstone.*] I suppose that under normal conditions the same amount of butter is consumed pretty well every week—that is, the demand is there for butter?—Do you mean in England?

47. Yes?—I think so. You can only assume that that is so.

48. I take it that the variation in price which you have referred to is due to manipulation?—There is no doubt in my mind about that because they obtain information from here which is surprising. So far as the agents at Home are concerned they can tell you how much butter is coming from Argentine, Canada, New Zealand, and other places, and it is wonderful how they know the amount of butter and cheese afloat and what is coming to England.

49. Do you think there is any competition at all between the Tooley Street merchants to get control of the produce for sale?—There is a big lot of it going on out here amongst the agents; but I cannot tell you about their working at Home.

50. You think that they endeavour to get the better of one another if they are able to?—I do not know whether it is getting the better of one another or getting the better of the public, but nevertheless they get there on every occasion. As a matter of fact, none of them go bankrupt.

APPENDIX TO EVIDENCE OF MR. W. GROUNDS.

LIST OF DAIRY COMPANIES WHO VOTED FOR, OR ARE KNOWN TO BE IN FAVOUR OF THE DAIRY EXPORT CONTROL BILL.

Name.	Tons Butter.	Tons Cheese.	Name.	Tons Butter.	Tons Cheese.
AUCKLAND.			WELLINGTON, NELSON, MARLBOROUGH, AND WESTLAND.		
Northern Wairoa Dairy Co. Ltd.	1,447	..	Awahuri Dairy Co. Ltd.	381	..
Maungatapere Dairy Co. Ltd.	475	..	Belvedere Dairy Co. Ltd.	..	279
Whangarei Dairy Co. Ltd.	744	..	Blenheim Dairy Co. Ltd.	340	..
Hikurangi Dairy Co. Ltd.	666	..	Bainham Dairy Co. Ltd.	..	124
Bay of Islands Dairy Co.	376	..	Buller Valley Dairy Co. Ltd.	..	36
Hokianga Dairy Co. Ltd.	472	..	Bidwell Dairy Co. Ltd.	..	128
Kaitaia Dairy Co. Ltd.	374	..	Carrington Dairy Co. Ltd.	..	114
Oruru Fairburn Dairy Co. Ltd.	184	..	Canvastown Dairy Co. Ltd.	19	86
Whangaroa Dairy Co. Ltd.	136	..	Cheltenham Dairy Co. Ltd.	1,720	..
Maungaturoto Dairy Co. Ltd.	261	..	Dalefield Dairy Co. Ltd.	16	646
Port Albert Dairy Co. Ltd.	117	..	Featherston Dairy Co. Ltd.	204	615
Waipu Dairy Co. Ltd.	175	..	Glen Oroua Dairy Co. Ltd.	238	238
Mercury Bay Dairy Co. Ltd.	109	..	Greytown Dairy Co. Ltd.	14	786
Coromandel Dairy Co. Ltd.	66	..	Hukanui Dairy Co. Ltd.	..	212
Auckland Milk Supply	81	..	Hamua Dairy Co. Ltd.	..	180
Waitemata Dairy Co. Ltd.	257	..	Kairanga Dairy Co. Ltd.	215	417
Bay of Plenty Dairy Co. Ltd.	795	..	Kaiparoro Dairy Co. Ltd.	..	123
Cambridge Dairy Co. Ltd.	1,273	67	Karamea Dairy Co. Ltd.	153	..
Cheddar Valley Dairy Co. Ltd.	55	..	Kuku Dairy Co. Ltd.	..	237
Horsham Downs Dairy Co. Ltd.	..	127	Kokotau Dairy Co. Ltd.	..	180
Kati Kati Dairy Co. Ltd.	201	..	Kokotahi Dairy Co. Ltd.	136	..
N.Z. Co-operative Dairy Co. Ltd.	19,583	3,831	Koromiko Dairy Co. Ltd.	..	98
Norfolk Dairy Co. Ltd.	..	294	Kumara Dairy Co. Ltd.	2	..
Nukuhou Dairy Co. Ltd.	..	82	Levin Dairy Co. Ltd.	934	..
Rangitaiki Plains Dairy Co. Ltd.	522	..	Linkwater Dairy Co. Ltd.	8	156
Tatua Dairy Co. Ltd.	..	577	Lakeview Dairy Co. Ltd.	..	230
Tauranga Dairy Co. Ltd.	388	..	Lower Valley Dairy Co. Ltd.	..	86
Tarawera Dairy Co. Ltd.	305	..	Mauriceville Dairy Co. Ltd.	200	..
Waipu Dairy Co. Ltd.	175	..	Masterton Dairy Co. Ltd.	285	..
Bruntwood Dairy Co. Ltd.	..	292	Matahiwi Dairy Co. Ltd.	..	45
Hauraki Plains Dairy Co. Ltd.	157	436	Newman Dairy Co. Ltd.	..	166
Rotorua Dairy Co. Ltd.	206	..	Otarua Dairy Co. Ltd.	18	351
Waioata Dairy Co. Ltd.	..	155	Parkvale Dairy Co. Ltd.	..	394
Pio Pio Dairy Co. Ltd.	275	..	Pahiatua Dairy Co. Ltd.	90	220
Waitanguru Dairy Co. Ltd.	57	..	Paraparaumu Dairy Co. Ltd.	..	135
Tairua Dairy Co. Ltd.	24	..	Pirinoa Dairy Co. Ltd.	..	105
Kaitieke Dairy Co. Ltd.	644	..	Rongotea Dairy Co. Ltd.	582	..
Puketurua Dairy Co. Ltd.	..	87	Rangitikei Dairy Co. Ltd.	333	..
Waimana Dairy Co. Ltd.	13	290	Rongo Dairy Co. Ltd.	..	95
Aria Dairy Co. Ltd.	180	..	Rexdale Dairy Co. Ltd.	7	340
Opourao Dairy Co. Ltd.	56	429	Rangiotu Dairy Co. Ltd.	..	116
TARANAKI.			Shannon Dairy Co. Ltd.	438	..
Awatuna Dairy Co. Ltd.	126	546	Taratahi Dairy Co. Ltd.	..	187
Alton Dairy Co. Ltd.	26	509	Tawaha Dairy Co. Ltd.	..	124
Ararata Dairy Co. Ltd.	21	281	Waitohi Dairy Co. Ltd.	..	129
Eltham Dairy Co. Ltd.	794	1,196	Apti Dairy Co. Ltd.	..	..
Hawera Dairy Co. Ltd.	463	1,571	Manakau Dairy Co. Ltd.	42	92
Kaponga Dairy Co. Ltd.	187	700	Ahiaruhe Dairy Co. Ltd.	..	120
Kakaramea Dairy Co. Ltd.	55	422	Kaituna Dairy Co. Ltd.	..	85
Kaimata Dairy Co. Ltd.	13	326	Marima Dairy Co. Ltd.	..	95
Lowgarth Dairy Co. Ltd.	21	493	Marton Dairy Co. Ltd.	..	77
Mangatoki Dairy Co. Ltd.	346	795	Rongomai Dairy Co. Ltd.	..	86
Moa Farmers Dairy Co. Ltd.	485	..	Tararua Dairy Co. Ltd.	..	140
Melrose Dairy Co. Ltd.	9	218	Te Horo Dairy Co. Ltd.	..	191
Opunake Dairy Co. Ltd.	156	..	Murchison Dairy Co. Ltd.	150	..
Okato Dairy Co. Ltd.	172	269	Waimea Dairy Co. Ltd.	75	120
Riverdale Dairy Co. Ltd.	272	401	Collingwood Dairy Co. Ltd.	..	250
Rapanui Dairy Co. Ltd.	..	135	Waitaha Dairy Co. Ltd.	..	55
Tarata Dairy Co. Ltd.	60	..	Wataroa Dairy Co. Ltd.	..	60
Tariki Dairy Co. Ltd.	111	167	West Coast Farmers	140	..
Tuna Dairy Co. Ltd.	8	231	Inter-Wanganui Dairy Co.	..	215
Uruti Valley Dairy Co. Ltd.	108	..	Kaikoura Dairy Co.	..	268
Whenuakura Dairy Co. Ltd.	141	571	Hapuku Dairy Co. ..	..	78
Waverley Dairy Co. Ltd.	8	267	HAWKE'S BAY.		
Turakina Dairy Co. Ltd.	..	72	Dannevirke Dairy Co. Ltd.	..	94
Wangaehu Dairy Co. Ltd.	120	..	Hopelands Dairy Co. Ltd.	..	166
Okia Dairy Co. Ltd.	160	..	Heretaunga Dairy Co. Ltd.	894	..
Kai Iwi Dairy Co. Ltd.	..	97	Kiritaki Dairy Co. Ltd.	23	195
Waitara Dairy Co. Ltd.	290	..	Matamau Dairy Co. Ltd.	..	128
Tirimoana Dairy Co. Ltd.	..	104	Maharahara Dairy Co. Ltd.	..	234
Manutahi Dairy Co. Ltd.	61	125			

APPENDIX—continued.

LIST OF DAIRY COMPANIES WHO HAVE VOTED AGAINST THE DAIRY CONTROL BILL AT AUCKLAND,
HAMILTON, STRATFORD, AND PALMERSTON NORTH.

Name.	Quantity graded to 31st March, 1923.		Name.	Quantity graded to 31st March, 1923.	
	Tons Butter.	Tons Cheese		Tons Butter.	Tons Cheese.
AUCKLAND.					
Taupiri Dairy Co. Ltd.	278	..	Tikirangi Dairy Co. Ltd.	205	..
Amburys Ltd.	188	..	Tarurutangi Dairy Co. Ltd.	45	..
East Tamaki Dairy Co. Ltd.	207	..	Warea Dairy Co. Ltd.	21	236
Kaipara Dairy Co. Ltd.	922	..	Westmere Dairy Co. Ltd. .. ..	..	259
Opotiki Dairy Co. Ltd.	301	..	Whitecliffs Dairy Co. Ltd.	8	154
Ruawai Dairy Co. Ltd.	272	310	Waingongoro Dairy Co. Ltd.	2	122
Sunny Park Dairy Co. Ltd. .. ..	..	78	Wanganui Fresh Food Co. Ltd.	539	92
Tokoroa Dairy Co. Ltd. .. ..	..	127	Kohi Dairy Co. Ltd.	3	142
Waikato Valley Dairy Co. Ltd.	819	..	Mere Mere Dairy Co. Ltd.	94	110
Hinuera Dairy Co. Ltd.	122	..	Te Popo Dairy Co. Ltd. .. ..	..	70
Morrinsville Dairy Co. Ltd.	202	..	Waitoitoi Dairy Co. Ltd.	9	220
Te Aroha Dairy Co. Ltd. .. ..	..	..	Tututawa Dairy Co. Ltd. .. ..	..	80
Hakaru Dairy Co. Ltd.	73	..	Oxford Dairy Co. Ltd. .. ..	..	130
TARANAKI.					
Bell Block Dairy Co. Ltd.	283	35	Brooklands Dairy Co. Ltd. .. ..	..	134
Cape Egmont Dairy Co. Ltd.	58	499	Okau Dairy Co. Ltd.	105	..
Joll's Dairy Co. Ltd.	282	2,708	Frankley Road Dairy Co. Ltd.	3	183
Kahui Dairy Co. Ltd.	17	124	Hurleyville Dairy Co. Ltd. .. ..	..	171
Lepperton Dairy Co. Ltd.	127	10	Opua Road Dairy Co. Ltd. .. ..	..	132
Mangorei Dairy Co. Ltd.	415	..	Brunswick Dairy Co. Ltd. .. ..	..	75
Maketawa Dairy Co. Ltd.	210	..	Midhurst Dairy Co. Ltd.	497	..
Mokau Dairy Co. Ltd.	55	..	WELLINGTON.		
Maoriland Dairy Co. Ltd.	712	..	Arahura Dairy Co. Ltd.	31	..
Ngaire Dairy Co. Ltd.	53	448	Bainesse Dairy Co. Ltd. .. ..	..	172
Normanby Dairy Co. Ltd.	65	493	Golden Bay Dairy Co. Ltd.	239	..
North Taranaki Dairy Co. Ltd.	472	20	Mangatainoka Dairy Co. Ltd. .. ..	..	293
Newall Dairy Co. Ltd.	3	99	Manawatu Reliance Dairy Co. Ltd.	30	64
Omata Dairy Co. Ltd.	132	..	Nireaha Dairy Co. Ltd.	17	378
Oaonui Dairy Co. Ltd.	84	398	Newbury Dairy Co. Ltd. .. ..	..	141
Pihama Dairy Co. Ltd.	127	478	Otaki Dairy Co. Ltd.	532	..
Patua Dairy Co. Ltd.	86	238	Rata Dairy Co. Ltd.	618	..
Pembroke Dairy Co. Ltd.	7	222	Taikorea Dairy Co. Ltd. .. ..	..	179
Rotokare Dairy Co. Ltd. .. ..	..	49	Whakaronga Dairy Co. Ltd. .. ..	..	70
Rahotu Dairy Co. Ltd.	49	461	Taihape	173	..
Royal Oak Dairy Co. Ltd.	18	158	HAWKE'S BAY.		
Stratford Dairy Co. Ltd.	585	849	Kia Ora Dairy Co. Ltd.	579	..