

resume the shares of an ex-supplier. Furthermore, as pointed out in paragraph 32, there is an undoubted obligation upon any company to refund to its retiring loyal suppliers the deductions made from their butterfat payments as part of the capital requirements now no longer usable by them.

38. Because of the present chaotic state of most companies in regard to dry shares it is obvious that it would be impossible for the majority of companies forthwith to find the necessary finance so to resume dry shares, but the most serious aspect of all is, of course, that the shares of a large number of companies are to-day not worth their face value, and it would be manifestly unjust to require the present-day suppliers to find 20s. in the pound for past suppliers whose assets had for various reasons deteriorated over the years. Any attempt to force these present-day suppliers to accept such a burden would only drive them away from the company or into other forms of production.

39. There must be clearly some time lapse between the ceasing of supply and the right of that ex-supplier to demand resumption of his shares. It is thought that a period of five years should be sufficient. There would be thus no inducement for a current supplier to leave his company and transfer his supply to another company merely for the purpose of receiving cash for his shares. It would cover the position of that large class of supplier who swings between dry farming and dairy-farming, as it would enable both the supplier and his company to obtain some indication as to whether he is likely again to return to the fold as a supplier. In other words, the period of five years should be sufficient for the status of the shareholder to be determined.

40. It is not suggested that the company *must* resume of its own initiative any dry share once it has been dry for five years. What is suggested is that the dry shareholder, *if he so wishes*, may demand and receive resumption from his company if there has been no supply from him for the past five years. He might well prefer to retain his shares beyond the five-year period to enable him to trade with his company or to use its other facilities (if any), or he might hope at some time in the future to supply again.

41. On the other hand, however, it is not suggested that a company should have to wait for five years before it can resume the dry shares of its members. As companies are bound to accept the milk or cream of their shareholders, it is only right that a company should be able, *if it so wishes*, to resume the shares of any members who have failed to supply it for a continuous period of, say, twelve months. If a company does not have this right it may be forced to refuse new supply for fear of the return of any dry shareholder with milk or cream beyond the manufacturing capacity of the company's plant.

42. As the law is at present no shareholder can be compelled to accept less than par for his shares, although in many cases those shares would not be worth that rate on a liquidation of the company. On the other hand, however, as a company, within the limitations imposed by section 54 of the Dairy Industry Act, 1908, has had the power for over forty years to require resumption at par, it can be said that the maximum value of shares should not exceed par.

43. If companies which have a compulsory dividend requirement should be given the opportunity to cease payment of dividends, *and we think they should be given that opportunity*, then what should be the obligations of those companies to their shareholders so deprived of a dividend?

44. A workable solution of the dry shareholding problem has given the Committee a great deal of concern. From the outset it was only too clear that there were many aspects of the problem, varying not only between district and district but also between company and company. No matter what set formula was suggested, it was found that the necessary exceptions thereto made it impracticable and only emphasized the variable value of dairy company shares, and that no single rule could, in justice to all concerned, be applied in every case. In other words, each case must be decided on its merits.